

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

IN RE:	§ CASE NO. 13-35998-H1-11
	§ HOUSTON, TEXAS
HOUSTON REGIONAL SPORTS	§ THURSDAY,
NETWORK, LP,	§ SEPTEMBER 4, 2014
DEBTOR.	§ 8:59 A.M. TO 4:39 P.M.

DISCLOSURE STATEMENT HEARING

BEFORE THE HONORABLE MARVIN ISGUR____
UNITED STATES BANKRUPTCY JUDGE

APPEARANCES:

FOR THE DEBTOR:	SEE NEXT PAGE
FOR THE TRUSTEE:	SEE NEXT PAGE
COURTROOM DEPUTY/COURT RECORDER:	MARIO RIOS

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(None offered.)			

1 HOUSTON, TEXAS; THURSDAY, SEPTEMBER 4, 2014; 8:59 A.M.

2 THE COURT: All right. Good morning. We are here in
3 the Houston Regional Sports Network, LP case. It's 13-35998.

4 Parties may make their appearances up front, or
5 reserve and make their appearances during the course of the
6 hearing, whatever works best for you.

7 Mr. Beckham.

8 MR. BECKHAM: Good morning, Your Honor. Charles
9 Beckham, Henry Flores, Chris Castillo, and Kelli Stephenson for
10 the Debtor Houston Regional Sports Network.

11 THE COURT: Thank you. Anybody else?

12 (No audible response.)

13 THE COURT: Okay. Good. No fights today, it looks
14 like, huh?

15 How did you all want to proceed, Mr. Goldblatt?

16 MR. GOLDBLATT: Oh, I'm sorry. Just for appearances.

17 THE COURT: Right.

18 MR. GOLDBLATT: On behalf of the Comcast entities,
19 Craig Goldblatt, along with Tim Graulich, Dana Seshens, Mark
20 Rockford from Comcast, Howard Shapiro, Isley Gostin, and Vince
21 Slusher.

22 THE COURT: Thank you.

23 MR. PERRIN: Your Honor, Harry Perrin, Vinson &
24 Elkins, along with Duston McFaul, Paul Basta, Judson Brown, and
25 David Myre from Kirkland & Ellis on behalf of the Houston

1 Astros entities.

2 THE COURT: Thank you.

3 MR. KAMPFER: Your Honor, Rob Kampfner from White &
4 Case. Alan Gover is on the phone. And Greg Little, my
5 partner, is with me today, and Rafael Stone, the General
6 Counsel of the Rockets is also present.

7 THE COURT: Thank you.

8 MR. GREENDYKE: Good morning, Judge.

9 THE COURT: Morning.

10 MR. GREENDYKE: Bill Greendyke and John Cornwell of
11 Norton Rose Fulbright, on behalf of AT&T Teleholdings, and
12 we're joined today on the telephone by my partners from New
13 York, Judith Archer and David Rosenzweig.

14 THE COURT: Thank you.

15 MR. GREENDYKE: Thank you, Judge.

16 MR. LOPEZ: Good morning --

17 THE COURT: Good morning.

18 MR. LOPEZ: -- Your Honor. Chris Lopez with Weil,
19 along with Brenda Funk. We're here on behalf of DirecTV, LLC,
20 and DirecTV Sports Network, LLC.

21 THE COURT: Good morning. All right.

22 If any parties on the phone need to speak during the
23 course of the day, you'll need to press five-star on your
24 phone, and we'll try and get to you.

25 Did you all have any proposal on how we proceed today?

1 MR. BECKHAM: Good morning, Your Honor. Charles
2 Beckham on behalf of the Debtor.

3 My suggestion is we have four matters that are set,
4 this Disclosure Statement hearing, the solicitation scheduling
5 motion, which I'll call the "solicitation motion," and those
6 are mostly procedures. The -- we also filed a motion to extend
7 exclusivity. That was at issue and came up last week, or
8 earlier last month. And then there was a motion to compel
9 production of documents by Comcast.

10 I would suggest we take up the Disclosure Statement,
11 the solicitation procedures motion, exclusivity, and then the
12 motion to compel in that order.

13 THE COURT: Does that cause any heartburn?

14 (No audible response.)

15 THE COURT: That's fine.

16 MR. GRAULICH: Your Honor, Tim Graulich from Davis
17 Polk.

18 We've been discussing several aspects of the
19 Disclosure Statement and the solicitation procedures with the
20 teams and with the Debtor. No problem with the order, but I
21 suspect that there may need to be a break at some point during
22 the procedures -- proceedings because I suspect that there is a
23 little bit more discussion that needs to be made with respect
24 to the language in the Disclosure Statement and certain of the
25 provisions of the -- of the solicitation procedures.

1 But I will -- that's sort of the tail of the dog. The
2 main of it is the sort of substantive.

3 THE COURT: Thank you.

4 So I've got some general concerns about where we're
5 going and whether the Disclosure Statement, if approved, gives
6 sufficient flexibility a confirmation hearing to deal with the
7 issues that might come up. And the concerns that I've got
8 center around two issues:

9 One is the -- well, everything centers around whether
10 or not they do the 1111(b) election because, as I think you put
11 in your response, that may control a lot of what occurs at the
12 confirmation hearing. So let me assume they don't do an
13 1111(b) election for the purpose of kind of figuring out where
14 we're going, with no prejudice about whether you all do it or
15 not.

16 It seems to me that we need to have a procedure to
17 estimate both the unsecured claims held by the teams, and the
18 unsecured claims that are held by the Comcast entities. And we
19 need to know what the proponents of the plan are going to do if
20 they essentially lose the separate classification argument,
21 because that's the big deal.

22 I mean, if we were to estimate their claims, for
23 example, at zero, it's not a very big deal. But if we estimate
24 their claims at \$80 million, just to kind of throw a number out
25 there, not because that's what I'm thinking of, but I think

1 that's sort of where the math might start at, is something in
2 that range, and don't separately classify, I don't know whether
3 you all then withdraw from confirmation, or whether you say,
4 we're going to proceed, but then the trade creditors are going
5 to get paid a whole lot less.

6 And I don't want to get down to a confirmation hearing
7 and have you make that decision then, without notice to the
8 trade creditors. So I'm going to make you make that decision
9 today, unless I misunderstand what we're doing.

10 And I've written an insert into the Disclosure
11 Statement that I'm contemplating requiring you to include, that
12 I'll show you, because it may sort of set the tone for the
13 hearing, because I just want to have everything teed up.

14 And I'm perfectly happy, for example, if you decide,
15 nope, if we don't get separate classification in the way that
16 we need, we just aren't going to proceed. That's fine, let's
17 tell people that, the table is set. But if what you're going
18 to try and do is then do an amendment, sort of orally at the
19 hearing, that says, well, okay, Judge, if you're going to
20 consider everything together as a unified class, we can still
21 confirm, that will, I think materially, way adversely affect
22 the trade creditors. And I want to tell them what that is.

23 And maybe there's some third alternative. And by
24 writing what I've written, I am not dictating that you can't
25 have some other alternative out there, but I'd like to know

1 what it is today, so that the table is set.

2 And part of my concern is this isn't a case that looks
3 like it makes a whole lot of sense to have a confirmation
4 hearing in October, that we then continue until January, right?
5 I mean, from what you all are telling me -- and Comcast seems
6 to agree -- we ought to be getting this done quickly. So we
7 need you to make decisions now. So I'll show you what I've
8 done.

9 (Pause in proceedings.)

10 THE COURT: This is, unfortunately, longer than what
11 you're going to want to see, but it is what it is.

12 (Laughter.)

13 MR. BECKHAM: That's just like some of the pleadings
14 that you saw over the last couple of days were longer than you
15 wanted to see.

16 (Pause in proceedings.)

17 THE COURT: So -- and I'm going to kind of run through
18 this orally because I know that each of you has partners on the
19 phone or clients on the phone that may want to know what we're
20 doing.

21 And essentially, I'm confirming that Comcast needs to
22 make its 1111(b) election -- and this all assumes we approve
23 the Disclosure Statement today -- by September 11th at
24 midnight. And if they choose not to make their 1111(b)
25 election, then this will largely apply. If they do make the

1 1111(b) election, all of this becomes quite irrelevant.

2 The first thing is I want an estimation procedure for
3 the unsecured claims held by the teams. It's a major issue
4 that's been brought up by Comcast, and that is: Can you,
5 essentially, even if you get separate classification out of
6 both in the -- what I'll call the "Class 5 Insider Class." And
7 so I want to have briefing and evidence, so that I can do a
8 502(c) estimation of what the teams' claims are.

9 And I'm establishing a briefing schedule. I'm making
10 them be not more than 30 pages, with twelve-page reply briefs,
11 and then giving each side an hour of trial time for the
12 estimate of the teams' claims.

13 I know an hour is not a lot, but it is an estimation,
14 and I don't think this one is complicated. You know, it's
15 going to be fighting over the present value of what their
16 future unpaid stream of revenue is. So I don't think the
17 evidence is going to be all that hard. Setting up the legal
18 table as to what evidence ought to be considered is going to be
19 in the briefing. So I think an hour is enough. I'm willing to
20 listen to you all, if you all tell me you don't think an hour
21 is enough.

22 And then the second thing is to do an estimate of the
23 unsecured claims, either in 4 or 5, that are held by the
24 Comcast entities. I think this is much more complicated. It
25 could involve subordination issues under 510, it could involve

1 setoff issues, because all of those are set out in the
2 Disclosure Statement.

3 MR. BECKHAM: Your Honor, we're getting a message that
4 some parties on the phone can't hear. And I'm sorry to
5 interrupt you.

6 THE COURT: No, that's my fault. No one on the phone
7 should be able to hear it. I stopped -- okay. They should be
8 able to hear now. I apologize. If there are parties on the
9 phone, I apologize, I didn't have the audio set up properly.

10 The -- what I'm going through is some changes that I
11 want to have made in the Disclosure Statement to set up
12 estimation processes at the confirmation hearing, so that we
13 don't delay things if we don't get down there. And the first
14 is an estimation procedure for the teams' claims, for which I'm
15 going to set up a briefing schedule and set up one hour of
16 argument and evidence by either side. And I'm willing to be
17 flexible on the dates on the schedule, as well as flexible on
18 that hour. But I wanted to put something out there that we can
19 work with. Then the second is to deal with the unsecured
20 claims held by the Comcast entities.

21 Now there are two different issues here, and we'll get
22 to that in a second. But one is how much should their claims
23 be. Because you allege that they've engaged in wrongful
24 conduct, and that implies the possibility of a setoff.

25 I don't know if you're going to argue that at

1 confirmation or not. I'm not requiring that. You've alleged
2 wrongful conduct that might justify subordination of their
3 claim. I don't know if you're going to allege that at the
4 confirmation hearing, but if you are, I want to have it set up,
5 to where we don't get surprised by it.

6 And finally, you are arguing that, even without those
7 things, that it's proper to put them in a different class for
8 various reasons. So the estimate is to figure out amount and
9 whether they go in Class 4 and 5. And then there is -- that is
10 without prejudice to what we do on just the pure, separate
11 classification question.

12 And if what your client wants to do, Mr. Beckham, or
13 the other plan proponents want to do, is to not worry about the
14 amount and to deal solely with the argument that you're making
15 that you can separately classify, fine with me. Then we don't
16 need to have that estimation proceeding.

17 But I get from the tenor of the Disclosure Statement
18 that there may be more coming at me at the confirmation
19 hearing, and I don't want it to come at me as a surprise, or
20 come at them as a surprise. And I want to have it briefed, and
21 I want to have it set up to where we can rule promptly in
22 October.

23 Now the final issue that I've got in here is: What
24 happens if you lose? And that's the one where I started off.
25 If you lose, I want you to tell -- I want you either to amend

1 the plan right now to say, if we lose, trade creditors, sorry,
2 you're not going to get paid as much; or, if we lose, we're
3 going to give up on confirmation.

4 And that is, if Comcast has a material claim in Class
5 4, are you going to -- right now, you're saying you're going to
6 pay Class 4 in full. Are you going to pay Comcast their
7 material claim in full in Class 4? I don't care what you want
8 to do, but I want people that are voting for the plan to know
9 what they're voting on.

10 So I've written in here that you can elect not to
11 proceed with confirmation, or you can amend the plan now to
12 provide that, if you lose this issue, that the distribution to
13 Class 4 will be on the formula I've got there; you know, a
14 numerator/denominator formula, which is going to result in
15 trade creditors probably getting less than one percent
16 distribution from the estate.

17 And I've left open the possibility here, and AT&T and
18 Direct will have to commit to that, one way or the other. You
19 know, if it's important enough to their business, and they want
20 to pay those trade creditors later, they can announce that. I
21 don't -- fine with me if they announce it. It won't be part of
22 the plan.

23 They said it's important to their business, it will
24 cost them money. The money won't come out of the estate. If
25 they want to do it, they can do it, and you can tell people

1 they're going to do it. I don't care. But I want the
2 Disclosure Statement to say what the deal is going to be, and
3 it's not going to diminish what the estate gets off the
4 proposal, if that's a decision that they make.

5 So, essentially, I want there to be a beefed-up
6 section of the Disclosure Statement that tells people what
7 occurs with the most significant -- if the most significant
8 fights in the case are lost by the plan proponents. And I
9 think people need to know that.

10 So does that -- I've got this in writing to hand out
11 to you. But does that influence whether you want to proceed
12 right now, or whether you want to talk to folks a little bit
13 right now about how we're going to go?

14 MR. BECKHAM: I think my --

15 THE COURT: This eliminates a lot of the arguments,
16 frankly, in today's hearing.

17 MR. BECKHAM: I think it might be helpful for Your
18 Honor, for the Debtor and the co-proponents to have a few
19 moments, or some time to review what's in here. I understand
20 the concepts, but I think we probably need to discuss it
21 amongst ourselves.

22 THE COURT: It also may change the nature of Comcast's
23 objection because I, essentially, am trying to communicate
24 they're going to get to make their arguments, right? They get
25 to litigate whether they have claims or not. And they get to

1 litigate whether they can get outvoted with the classification
2 scheme that you all are proposing.

3 MR. BECKHAM: Understood.

4 THE COURT: So how much time does Comcast need to
5 think about all of this?

6 MR. GOLDBLATT: We're prepared to think fast, Your
7 Honor. Fifteen minutes?

8 MR. BECKHAM: I think 15 minutes -- yeah, 15 minutes,
9 Your Honor.

10 THE COURT: Okay.

11 (Participants confer.)

12 THE COURT: We'll come back at 9:35. And there's
13 copies of what's on the screen. And again, you all are welcome
14 to change that, argue it's wrong, do whatever you want. But I
15 want to set up confirmation, to where it's done right.

16 MR. BECKHAM: And Your Honor, if we need -- if we find
17 we need additional time --

18 THE COURT: Yeah, just let Mr. Rios know. I would
19 like to be able to get the hearing concluded today.

20 MR. BECKHAM: Okay. Thank you.

21 THE COURT: And so that's why I'm pushing you on time.

22 MR. BECKHAM: Understood, Your Honor. Thank you.

23 MR. GOLDBLATT: Thank you, Your Honor.

24 THE COURT OFFICER: All rise.

25 (Recess taken from 9:16 a.m. to 9:45 a.m.)

1 THE COURT: All right. Please be seated.

2 UNIDENTIFIED: Your Honor, the masses are assembling.

3 THE COURT: Thank you.

4 (Pause in proceedings.)

5 THE COURT: So did I make your life easier or harder,
6 Mr. Beckham?

7 MR. BECKHAM: Easier, Your Honor.

8 THE COURT: All right. What are we -- what do you all
9 want to do? Let me hear what Mr. Goldblatt wants to do.

10 MR. BECKHAM: Your Honor, I know that DirecTV's
11 counsel is still trying to talk to his client representative.
12 So I think they may need a little bit more time, but ...

13 THE COURT: That's fine. I mean, that's a plug-in in
14 this. The question is, is this a good idea, generally, I
15 think.

16 MR. BECKHAM: Yes, Your Honor.

17 THE COURT: Okay. So you all are willing to live with
18 declaring what you're going to do as part of the Disclosure
19 Statement hearing.

20 MR. BECKHAM: Yes, Your Honor.

21 THE COURT: And what are you all going to do; do you
22 know yet? You need to wait for --

23 MR. BECKHAM: I don't know that.

24 THE COURT: You need to wait for Direct.

25 MR. BECKHAM: Yeah.

1 THE COURT: Okay. But declaring it is fine.

2 MR. BECKHAM: Okay.

3 THE COURT: Is that right?

4 MR. BECKHAM: Yes. Yes, Your Honor.

5 THE COURT: Having this process -- and we can talk
6 about the detailed dates and stuff -- of an estimation process
7 for both the proponents' claims and the Comcast claims, does
8 that work for you all?

9 MR. BECKHAM: Yes, Your Honor.

10 THE COURT: Mr. Goldblatt, what do you think?

11 (Participants confer.)

12 MR. BECKHAM: Your Honor, perhaps we need a few more
13 moments because the teams are still out in the hall.

14 THE COURT: Okay.

15 MR. GOLDBLATT: So I'm happy to respond or to wait,
16 whatever Your Honor's preference.

17 THE COURT: Well, that's up to you. I asked him
18 first. If you want to wait and see what their answer is before
19 you give yours, that's fine, or you can give yours now. I
20 don't care.

21 MR. GOLDBLATT: No. My only concern is, to the extent
22 there are relevant litigants who aren't in the courtroom now.
23 I don't want to be unfair by -- by -- you know, so whatever --

24 THE COURT: Oh, it's not unfair, so we can do it.

25 MR. GOLDBLATT: If that's Your Honor's determination,

1 then ...

2 (Laughter.)

3 MR. GOLDBLATT: So, Your Honor, in concept, to the
4 extent we're -- what Your Honor is saying -- and I think this
5 is what Your Honor is saying, is, look, before we start the
6 game, people are entitled to know what are the rules and what
7 are the consequences of when you are losing.

8 We're a hundred percent there. I think that captures
9 not all, but a fair chunk of what we had to say about the
10 Disclosure Statement.

11 THE COURT: Right.

12 MR. GOLDBLATT: So we appreciate that.

13 I think there -- I think that --

14 MR. LITTLE: Your Honor, if I may.

15 THE COURT: One second.

16 MR. LITTLE: I apologize.

17 MR. GOLDBLATT: No please.

18 MR. LITTLE: My name is Greg Little. I apologize for
19 -- if it would be at all possible to have a fifteen-minute
20 delay because I'm sure he's being very insightful, and I would
21 like to have our full team capture all of that inside, if at
22 all possible.

23 (Laughter.)

24 MR. GOLDBLATT: That's flattering, Your Honor.

25 THE COURT: I'll let him repeat it when they get in

1 here. I mean, I -- I want to move the hearing ahead, and let's
2 hear what he has to say.

3 MR. LITTLE: Sure. Thank you, Your Honor.

4 THE COURT: And then he can repeat it, if we need to.
5 Go ahead.

6 MR. GOLDBLATT: So that -- as far as that goes, we're
7 in agreement.

8 I think that there are some issues that are somewhat
9 more complicated than at least the description that Your Honor
10 lays out here --

11 THE COURT: Right.

12 MR. GOLDBLATT: -- that I just would like to identify.

13 The issues -- it's not just whether we make the
14 1111(b) election because, even if we make the 1111(b) election,
15 as Your Honor is aware, we filed a proof of claim against the
16 network for indemnity, as a result of the Astros lawsuit. That
17 is an unsecured claim that is unliquidated and disputed.

18 That, presumably, would need to be liquidated, or at
19 least estimated, for the purposes of this proceeding because
20 whether we make an 1111(b) election or not, we believe we have
21 an unsecured claim that we'd be entitled to vote, in some
22 amount, as determined by the Court.

23 So the issues here, if one thinks about what one needs
24 to do, include, you know, a proceeding that is about -- I
25 understand it's estimation and that it's not a full proceeding,

1 and that one, you know, has abbreviated procedures. But
2 determining the likelihood of liability to the Astros on their
3 claim, as well as whether that claim falls within the
4 indemnity, are substantial undertakings.

5 THE COURT: I guess I -- one of the things that the
6 proponents put in response to the McLane Defendants' indemnity
7 is that those are simply subordinated as a matter of law.

8 MR. GOLDBLATT: Sure, because they sold equity; we
9 didn't. So that principle -- and I -- I'm not speaking --

10 THE COURT: Right.

11 MR. GOLDBLATT: -- for whether that falls within 510,
12 the subordination as relating to the purchase or sale of a
13 security or not. But that's surely not true of us, and don't -
14 - and they don't even say it is. Their claim for subordination
15 -- and so that's -- so one is that set of issues.

16 THE COURT: Yeah.

17 MR. GOLDBLATT: Two is the claims for subordination
18 against us turns on sort of the old, you know, equitable
19 subordination principles. We did something that harmed the
20 estate --

21 THE COURT: Right.

22 MR. GOLDBLATT: -- and to the extent they can prove we
23 did something that harmed the estate, to the extent of that
24 harm --

25 THE COURT: I think this -- I think you're making a

1 good point because I guess I'm not -- I have not given thought
2 to that question. And we ought to amend this to say that the
3 1111(b) election may affect a large part of your claim, but
4 that you may have other remaining claims that will still need
5 to be estimated. And I think that's a fair change to this.

6 MR. GOLDBLATT: And my -- well, my point, Your Honor,
7 is, given the -- we've -- well, a lot of this is in their
8 hands. If they're going to say, we're not going to equitably
9 subordinate you, that's one thing. If they say, we're not
10 going to try to outvote you, and that it all turns on
11 classification, they have the ability to make this move
12 smoothly.

13 If we actually have to go forward -- we've engaged in
14 the litigation to date, including the production of documents
15 and all of that --

16 THE COURT: Yeah.

17 MR. GOLDBLATT: -- on the assumption that those issues
18 were outside the scope of what we were going to be doing.

19 So I guess what I'm saying is, if -- what you're
20 saying makes sense as a way to proceed. It's just that, given
21 where we are and the amount of work we have to do -- I'm never
22 one to come into court and say, I want delay. Maybe it's a
23 result of spending too much time representing insurance
24 companies, in which, if you say to a judge you want delay, they
25 think it's because you're holding the other side's money. So I

1 hate saying we want delay.

2 But just as a practical matter, given the number of
3 issues and the way discovery to date has been built, I think it
4 requires kind of going back to the drawing board here. So
5 that's my concern I just wanted to express.

6 THE COURT: Yeah, I don't think it does. I think we
7 can do an estimation proceeding in short order, and I think you
8 announced six people here representing your client. You all
9 can get ready for a hearing.

10 MR. GOLDBLATT: We are more than happy to work hard.
11 We think there is an awful lot to do, and we'd need to work
12 through that.

13 THE COURT: I think I'm going to have to work hard,
14 too. But I don't think that the need to work hard means that
15 we can't. I mean, that's the whole function of estimation
16 proceedings in the Bankruptcy Code, is we don't let things get
17 way of the administration of the estate; we estimate them.

18 And I do think this is wrong, what I've drafted was
19 wrong, because it didn't take into account other claims not
20 affected by 1111(b). And I don't want to express a view as to
21 where those ought to be at all. But this does express a view
22 about that that's incorrect, so that I need to fix. But I
23 don't see much of an argument for delay. I got it that we're
24 all going to work hard, so ...

25 MR. GOLDBLATT: Okay. Well, you've heard what we have

1 to say.

2 THE COURT: I have, yeah.

3 MR. GOLDBLATT: Thank you, Your Honor.

4 THE COURT: All right. And now, Mr. Beckham, did you
5 want to break? Because I did want to hear what he had to say.

6 MR. BECKHAM: Your Honor, I know that we were
7 discussing -- the teams were discussing things out in the hall,
8 and I think we may need a little more time and we need more
9 time. I think we do need a little more time, Your Honor, let's
10 say 15.

11 (Laughter.)

12 MR. BECKHAM: Can we have 15 additional minutes, Your
13 Honor?

14 THE COURT: Okay.

15 MR. BECKHAM: I think it would assist in --

16 THE COURT: I will come back at 10:08.

17 MR. BECKHAM: We will be --

18 (Laughter.)

19 MR. BECKHAM: We will only need until 10:08, Your
20 Honor. Thank you.

21 THE COURT OFFICER: All rise.

22 (Recess taken at 9:53 a.m.)

23 (Proceedings resume at 10:09 a.m.)

24 THE COURT: Mr. Beckham.

25 MR. BECKHAM: Good afternoon, Your Honor -- or good

1 morning, Your Honor.

2 THE COURT: It's still morning.

3 MR. BECKHAM: It -- it's already a long day.

4 Your Honor, I believe the plan proponents are prepared
5 to go forward with what the Court has presented, with a couple
6 of caveats, one of which is AT&T and DirecTV are still waiting
7 to receive confirmation from their clients and don't have that
8 at this point in time.

9 But with respect to the proposal, Your Honor, what the
10 plan proponents would be willing to do is try to kill with
11 will, which is one of the bracketed terms, in terms of the
12 payment. The plan proponents would be prepared to go forward
13 with the second option.

14 THE COURT: Okay.

15 MR. BECKHAM: And with one word of caution there, Your
16 Honor. We -- because the payments to that class may come from
17 outside of the plan, we wouldn't want this procedure to create
18 some prejudice for designating the votes of the creditors who
19 received payments under this procedure to somehow contend --
20 for Comcast to contend that, gee, since you're getting paid
21 from a source outside the plan, that, for some reason, their
22 vote could be designated.

23 THE COURT: Well, I just think that's -- I'm not going
24 to reach that conclusion until we have that, any more than I'm
25 going to reach a conclusion on separate or joint

1 classification. Those are all going to be confirmation
2 questions. So that may influence whether AT&T and DirecTV
3 choose to fund those monies. I don't know.

4 MR. BECKHAM: Okay.

5 THE COURT: But I'm not going to reach that
6 conclusion. I'm simply trying to have a confirmation hearing
7 where everybody knows what's going to happen. And if people
8 want to make objections and say that there's something wrong
9 with the plan proponents saying they're going to pay trade
10 creditors, they can do that. I don't know whether that's
11 right, wrong, neutral.

12 MR. BECKHAM: Okay. Understood, Your Honor.

13 THE COURT: Take your pick.

14 MR. BECKHAM: Additionally, Your Honor, in the first -
15 -

16 THE COURT: Do you agree, though, that, in terms of
17 Mr. Goldblatt's issue, that, here in the beginning, we should
18 probably have you all fix that, to indicate that it may affect
19 -- that the 1111(b) election will eliminate the issue as to
20 their deficiency claim, but that they have other claims that
21 they may assert that will be subject to the balance of this?
22 Do you agree with that position?

23 MR. BECKHAM: Yes, Your Honor.

24 THE COURT: Okay.

25 MR. BECKHAM: Yes, Your Honor.

1 One other housekeeping matter, Your Honor. In the
2 third -- or I guess fourth paragraph, there's a reference to
3 the Comcast parties Class 3 and Class 5 claims. Comcast has
4 claims in Class 2.

5 THE COURT: I meant 4 and 5. That's a typo.

6 MR. BECKHAM: Okay.

7 THE COURT: Yeah, that's a typo.

8 Well, you all have got -- I think my law clear emailed
9 to the parties --

10 MR. BECKHAM: Okay.

11 THE COURT: -- copies of this.

12 MR. BECKHAM: Okay.

13 THE COURT: I'm not going to -- you all feel free to
14 change the language.

15 MR. BECKHAM: All right.

16 THE COURT: As long as you've got the concept down
17 here.

18 MR. BECKHAM: Okay.

19 THE COURT: You need to fix the 1111(b) issue that
20 Mr. Goldblatt raised. You can take out the fact that you have
21 two options, and you've elected one. Just tell people what
22 you're going to do.

23 MR. BECKHAM: Okay.

24 THE COURT: It will actually be less confusing. But I
25 mean, you get the idea. I want people to know what we're

1 doing, I want to know where we're going, and I want to have
2 everything teed up with pleadings and discovery, so that I can
3 rule on the matters in November.

4 MR. BECKHAM: Understood, Your Honor.

5 THE COURT: But I don't need to revisit this; just
6 amend it, as we said.

7 (Participants confer.)

8 MR. BECKHAM: We'll address the classes, and make sure
9 of that.

10 THE COURT: Right. And I -- you know, and if I've
11 called people by different names than your official
12 definitions, I assume you're going to clean all that up --

13 MR. BECKHAM: We will clean that up, Your Honor.

14 THE COURT: -- and just get this done right. Yeah.
15 Okay. So that means I think we can proceed with your hearing,
16 more along the lines that you intended.

17 MR. BECKHAM: We can clean that up, Your Honor.

18 THE COURT: Who's going to be your first witness?

19 MR. BECKHAM: Your Honor, for purposes of today, we do
20 not have a witness because we believed a Disclosure Statement
21 hearing is not an evidentiary, and hope that the Court is of
22 the same mind.

23 THE COURT: Well, I'm going to want somebody to tell
24 me that everything in there is true and correct; I want that
25 representation to be made by a proponent, so I don't -- I want

1 to know that what you're telling people, you believe.

2 MR. BECKHAM: We do believe it is, Your Honor. We had
3 not anticipated calling a witness. But I am quite certain, by
4 the end of the hearing --

5 THE COURT: Yeah, it can be a one-sentence question
6 and answer. I just want that officially on the record; that
7 the Debtor alleges that its Disclosure Statement is true and
8 correct. We can then deal with objections as to whether it's
9 adequate or not on a different basis. But I don't want to send
10 it out if you all aren't willing to stand behind what you say.
11 So I want somebody to tell me that you think it's accurate.

12 MR. BECKHAM: Your Honor, we will have someone in a
13 position to do that.

14 THE COURT: Thank you.

15 MR. BECKHAM: And --

16 THE COURT: Mr. Goldblatt, are you going to have any
17 witnesses today?

18 MR. GOLDBLATT: We don't intend to call our own
19 witnesses, though obviously reserve the right to cross any
20 witnesses called by the plan proponents.

21 THE COURT: Right. So, if they call a witness who
22 says everything in there is true and correct to the best of my
23 knowledge, information, and belief, are you going to cross-
24 examine that witness?

25 MR. GOLDBLATT: Well, let me say the following. So

1 long as the absence of cross wouldn't be taken as accepting the
2 truth of the statements --

3 THE COURT: It will not be.

4 MR. GOLDBLATT: -- I don't feel the need to do that.
5 I guess I would be interested in understanding the basis on
6 which the witness came to the view that what is there is true
7 and correct, which is: Is the person who's offering the
8 testimony competent to give the testimony? But beyond that, I
9 don't envision doing more than that.

10 THE COURT: Okay. Thank you.

11 So let's just hear argument then. And maybe we ought
12 to start with Comcast, as to whether they have issues. I mean,
13 I've reviewed the Disclosure Statement, I know what it says, I
14 know what 1125 says. So I'm not sure -- I think most of what
15 you're doing is then going to be responding to what he's
16 saying, right?

17 MR. BECKHAM: Yeah, I believe that's correct, Your
18 Honor.

19 One thing to assist the Court with is the parties have
20 been exchanging red-lined drafts of the Disclosure Statement,
21 to attempt to narrow the issues.

22 THE COURT: Right.

23 MR. BECKHAM: And of course, Comcast had certain
24 language they wanted taken out of the plan.

25 THE COURT: Right.

1 MR. BECKHAM: They also had language they wanted put
2 into the plan. We have --

3 THE COURT: In the plan or in the Disclosure
4 Statement?

5 MR. BECKHAM: In the Disclosure Statement.

6 THE COURT: Okay.

7 MR. BECKHAM: I mean, no, in Disclosure Statement.
8 And we have been exchanging red-line drafts back and forth. We
9 have considerably narrowed the issues and --

10 THE COURT: If it can be easiest -- and I'll leave
11 this up to you and Mr. Goldblatt -- just to put up on the
12 screen, here's the two choices, which one are you going to
13 approve --

14 MR. BECKHAM: I believe we could do that.
15 Mr. Graulich --

16 THE COURT: Sorry. I didn't mean to be --

17 MR. BECKHAM: -- has been involved in that process,
18 and --

19 THE COURT: But would that work, just to show me,
20 here's the remaining disputes, and make your call?

21 MR. GRAULICH: Your Honor, in fact, there may be just
22 a -- this is what I was referring to earlier, about there being
23 -- perhaps that we needed to talk some more about -- there's
24 two issues that are left open, I think, in the Disclosure
25 Statement, and maybe it's only, in fact, one.

1 We've agreed -- and at least I -- I understand that
2 all the parties have agreed -- and this was our principal
3 concern, and I think Your Honor has alluded to it with respect
4 to the possibility of having a witness about the Disclosure
5 Statement -- is that we were concerned that there -- this
6 Disclosure Statement, frankly, even after taking some of our
7 comments, still represents a litigation posture from
8 principally the teams, is our position.

9 THE COURT: Okay.

10 MR. GRAULICH: And that's fine. We recognize it's the
11 plan proponents' Disclosure Statement. I don't think it's a
12 good use of Your Honor's time or the parties' time to go line
13 by line, and say, wait a second, this is an unfair statement,
14 what's the basis of this.

15 So what we've done is we've proposed a reservation for
16 the beginning of the Disclosure Statement, and a new decretal
17 paragraph for the Disclosure Statement order that makes clear
18 that, if Your Honor were to find that this Disclosure Statement
19 contains adequate information, that you're not passing on the
20 truth and validity of the various statements contained therein.
21 So we could hand that up, Your Honor.

22 And then I think the only -- the only other issue that
23 I think that we -- that is open is that there's a section of
24 the Disclosure Statement, frankly, which I don't think would
25 meet Your Honor's question about is there somebody from the

1 Debtor that's prepared to stand behind this section, because it
2 specifically says it's the teams' position; and in fact, at one
3 point, it's just one of the team's positions.

4 We thought it was sort of unnecessary, and not -- you
5 know, unnecessary for voting. Frankly, though, if we have
6 this, this may solve the problem. But I can walk you through
7 the one provision of the Disclosure Statement that we think is
8 still open.

9 THE COURT: Where is it; what page?

10 MR. GRAULICH: It's Section J. Hang on one second,
11 let me just see ...

12 THE COURT: I think there's more than one Section J,
13 so ...

14 MR. GRAULICH: Yeah, unfortunately, that is correct.
15 It is --

16 MR. BECKHAM: Page 29?

17 MR. GRAULICH: Yeah.

18 THE COURT: Page 29.

19 (Participants confer.)

20 MR. BECKHAM: You know, if we turn the ELMO on, it
21 would, perhaps, be helpful.

22 MR. GRAULICH: I don't know. Will two-sided copies,
23 Your Honor, work on the ELMO?

24 THE COURT: I can only see one side at a time on the
25 ELMO, but they will work, maybe. You need to press the green

1 button on there and ...

2 MR. GRAULICH: Oh, that -- yes, Your Honor. That's --

3 THE COURT: Yeah.

4 MR. GRAULICH: So this is the beginning of

5 THE COURT: So that's from Page 28. Yeah, I'm looking
6 at that.

7 Well, if the Debtor -- and let me just ask you. This
8 is a statement that purports to be hearsay of the Debtor. And
9 it says that Rocket Ball and Astros believe that the following
10 is subordinated. So, if the Debtor believes that Rocket Ball
11 and Astros believe that, that's all I'm looking for. I -- it
12 doesn't purport to be a statement of fact; it purports to be a
13 statement of hearsay, which is fine for a Disclosure Statement.

14 MR. GRAULICH: But if -- Your Honor, if -- it goes on
15 for quite some time, and it is -- it is a statement of various
16 allegations that the teams believe --

17 THE COURT: Right.

18 MR. GRAULICH: -- that may, one day, be investigated
19 by a litigation trustee. I don't think the Debtor has a view
20 on the accuracy of any of this. I'm not so sure what its
21 relevance is to voting.

22 THE COURT: Well, let me tell you what the problem is
23 that we have in this circuit, and I think it's now in a lot of
24 circuits, which is, if they don't tell you what their likely
25 complaint is, you can maybe later come back and say, well, you

1 didn't tell us the nature of your complaints, and so you can't
2 now bring them.

3 If you want to waive any argument that, if any
4 complaint brought against Comcast, that you will not defend
5 based on an absence of disclosure, then I see no reason why
6 this does need to be there for voting. But if you want to
7 retain your right to object under existing Fifth Circuit law
8 that some complaint is not within the scope of what was
9 preserved, then I see why -- I understand why they would want
10 this. So what do you all want to do?

11 Mr. Castillo, I didn't mean to take your thunder, but
12 I suspect that's why that's here.

13 MR. CASTILLO: You said it better than I ever could,
14 Your Honor.

15 THE COURT: Okay.

16 MR. GRAULICH: We're prepared to waive our rights with
17 respect to that, in the sense that, if the litigation trust
18 later were to bring -- claim substantially similar to what's
19 described in the Disclosure Statement, we wouldn't stand on
20 that as very -- as sort of the sole basis for --

21 THE COURT: No, you can either -- it won't be in the
22 Disclosure Statement.

23 (Participants confer.)

24 THE COURT: So you can either --

25 MR. GRAULICH: Correct, but --

1 THE COURT: You can either waive the argument, and say
2 you will not raise a defense that if you weren't given proper
3 notice, or you can preserve the argument. I don't want to
4 preserve the argument as to something that's not in the
5 disclosure.

6 MR. GRAULICH: Your Honor, actually, you know, at the
7 end of the day, while I don't want to have this create a
8 massive distraction, I think the language that we have in the
9 order and the Disclosure Statement is satisfactory. There was
10 a proposal --

11 THE COURT: I will give --

12 MR. GRAULICH: -- that perhaps --

13 THE COURT: I will give you a --

14 MR. GRAULICH: -- we could have --

15 THE COURT: -- little bit of -- I will give you a
16 little bit of comfort --

17 MR. GRAULICH: Yeah.

18 THE COURT: -- which is, I will not, today, make any
19 findings that any of the allegations on Pages 28 or 29 of the
20 draft Disclosure Statement have any merit whatsoever.

21 MR. GRAULICH: Okay. I think -- I think that's -- you
22 know, there are more substantive arguments that we need to hit
23 today. That, I think, is satisfactory. There may be an extra
24 sentence added to this that says Comcast disagrees with this.
25 But I mean, that -- we can work that out without troubling Your

1 Honor.

2 THE COURT: Okay. So we're --

3 MR. CASTILLO: Your Honor --

4 THE COURT: -- going to leave that in there.

5 MR. CASTILLO: Yeah, I believe we've already -- we've
6 already agreed to include just a provision at the very end
7 there.

8 THE COURT: Okay.

9 MR. CASTILLO: Yeah.

10 THE COURT: So, and then how about the general
11 language; the advanced disclaimer, and then the provision in
12 the confirmation order? Have you all agreed on that, as well,
13 Mr. Castillo?

14 MR. CASTILLO: I believe that's acceptable to the
15 Debtor and the teams. And there's the decretal paragraph that
16 Comcast has proposed at the beginning of the Disclosure
17 Statement.

18 (Pause in proceedings.)

19 THE COURT: I don't have any problem including that.

20 MR. CASTILLO: And then Your Honor --

21 THE COURT: And then in the decretal --

22 MR. CASTILLO: -- here's the language for the order.

23 THE COURT: Okay.

24 (Pause in proceedings.)

25 THE COURT: I don't have any problem with that order,

1 either.

2 MR. GRAULICH: Thank you, Your Honor. That way, we
3 don't have to worry about anything being waived or anything not
4 being waived, the Disclosure Statement is for voting purposes,
5 and we'll -- and we'll deal with everything then in the future.
6 That's fine.

7 THE COURT: All right. You all had some objections --
8 and I know this is stepping into the solicitation motion a
9 little bit -- some objections to that, which I think really
10 drove a lot of what I wrote in this section. So it seems to me
11 that the solicitation motion, if it is amended -- the proposed
12 order is amended to incorporate the changes in the handout, at
13 that point, I think it resolves, really, all of your objections
14 to that. But I'm -- tell me if I'm wrong about that.

15 MR. GRAULICH: That is correct. There is an
16 additional, I think, noncontroversial comment that we had been
17 discussing with the Debtors. I think that that's even subsumed
18 by this proposal.

19 THE COURT: Okay.

20 MR. GRAULICH: Because all we wanted is exactly what
21 Your Honor is describing, which is just to know up front what
22 we're voting, what the teams are voting. And so I think that
23 this does resolve --

24 THE COURT: Right.

25 MR. GRAULICH: -- those objections.

1 THE COURT: I thought it did, and I thought your
2 objections had a lot of merit, and that's why I tried to deal
3 with them.

4 So you'll need to then upload a revised solicitation
5 order that incorporates the timing provisions in the handout,
6 or simply leave them out of the order, and it will be governed
7 by the Disclosure Statement, where we're -- it will have the
8 handout in it, and you can leave all of those complexities out.
9 What do you think is best?

10 MR. BECKHAM: Probably leaving the complexities out of
11 the order and just putting it in the Disclosure Statement.

12 THE COURT: So we'll just use a bunch more simple
13 order approving the Disclosure Statement?

14 MR. BECKHAM: That would be my thought on it, yes.

15 THE COURT: Are you okay with that?

16 MR. GRAULICH: Yeah, I mean, we'll -- we can work with
17 them with the Disclosure Statement order, and I think that that
18 would be.

19 THE COURT: Okay. Well, the problem is I need to get
20 this done today, pretty much, because I have shortened
21 deadlines, and I want to get this out, so he'll need to get
22 stuff written. And then we'll come back this afternoon with
23 final versions of the Disclosure Statement and orders --

24 MR. GRAULICH: And Your Honor --

25 THE COURT: -- and we'll adjourn for a while.

1 MR. GRAULICH: -- it strikes me that, based upon the -
2 - this process, that there may need to be something additional
3 now in the solicitation procedures to make sure that a valid *en*
4 *banc* is going to go out to at least the teams and to Comcast,
5 so that there's -- so that people get to vote.

6 We don't know, necessarily, what the allowed amount of
7 the vote is. But if we're trying to determine what the claims
8 are later, I haven't checked, but that may be --

9 THE COURT: Yeah, I'm going to --

10 MR. GRAULICH: -- actually after --

11 THE COURT: I'm going to --

12 MR. GRAULICH: -- the voting deadline.

13 THE COURT: I will orally authorize that the ballots
14 that are filed by parties that are the subject of the
15 estimation handout may vote their ballots by simply writing in:

16 "-- all of the claims allowed by the Court at the
17 estimation proceeding."

18 MR. GRAULICH: That would be -- that would be --

19 THE COURT: Then you don't have to worry about the
20 amount --

21 MR. GRAULICH: -- the proposal.

22 THE COURT: -- so that the ballot will be regular, if
23 that's what it says. Does that work for everybody?

24 MR. BECKHAM: I believe that works, Your Honor.

25 THE COURT: Does that work for the teams? It seems to

1 work for Comcast.

2 UNIDENTIFIED: Yes, Your Honor.

3 THE COURT: Okay.

4 MR. GRAULICH: Thank you, Your Honor.

5 MR. BECKHAM: Your Honor, I don't know if

6 Mr. Goldblatt has other things to say, but.

7 MR. GOLDBLATT: Well, we do have other objections to
8 the Disclosure Statement that we're happy to advance, if we
9 may.

10 THE COURT: Absolutely.

11 MR. GOLDBLATT: And I guess we're happy to take
12 whatever the guidance. The Court has some -- as we said, I
13 think, when we were first here with respect to the status
14 conference on the plan, some of our objections get to, as a
15 matter of law, problems in the Disclosure Statement. And the -
16 - you know, the Disclosure Statement describes the plan as
17 unconfirmable, as a matter of law.

18 I think we've set those out; I think Your Honor
19 understands what those points are. I'm happy to address them,
20 or to come back to them. I don't want to waste the Court's
21 time.

22 THE COURT: Well, I mean, look, I've read your
23 objection. I think you can tell, from what I wrote, that I've
24 read your objection. And the parts of it that I thought had to
25 be dealt with, I've tried to deal with.

1 I do agree, right now, that, essentially, those will
2 turn into confirmation objections, and I don't believe that
3 matters are presently futile with respect to confirmation, or
4 that there is anything facially non-confirmable about the plan.

5 There may be facts at the confirmation hearing, for
6 example, on separate classification, which I know has been a
7 big discussion, but it's a big focus of your objection --

8 MR. GOLDBLATT: Uh-huh.

9 THE COURT: -- that say that, based on those facts
10 that come out at confirmation, the separate classification
11 renders the plan non-confirmable as a matter of law. But I
12 think, without exploring the facts, I'm unprepared to rule
13 today that there is futility in confirmation.

14 MR. GOLDBLATT: Okay. So --

15 THE COURT: But your -- all of your objections would
16 be preserved for confirmation.

17 MR. GOLDBLATT: That's fine. I don't want to --

18 THE COURT: And you're -- well, you're welcome to
19 argue against me. But I'm just telling you, I have read it,
20 I've thought about it, that's where I am right now. And if you
21 think I'm wrong, you know -- you can, first of all, try and
22 persuade me. But second, you can have a record. You know, I
23 don't -- it's up to you.

24 MR. GOLDBLATT: Well, I -- those observations are very
25 helpful, Your Honor. And we are happy to address those issues

1 at confirmation and put on a case.

2 THE COURT: Okay. Well, they're all preserved.

3 MR. GOLDBLATT: I think that --

4 THE COURT: Okay.

5 MR. GOLDBLATT: -- that, as far as that goes, I think
6 is fine.

7 With respect to disclosure *qua* disclosure --

8 THE COURT: Right.

9 MR. GOLDBLATT: And in some respects, you know, the
10 questions of disclosure in its context also have something to
11 do with discovery; in that, we think we're entitled to
12 understand, as the Court I think put it before --

13 THE COURT: I agree. I think there's a link between
14 those two.

15 MR. GOLDBLATT: A fixed target at which we're
16 shooting.

17 THE COURT: Right.

18 MR. GOLDBLATT: And so I don't mean to segue into what
19 might be described as "discovery disputes," but I'd like to --
20 here's what we're getting at.

21 What Your Honor directed was that the Disclosure
22 Statement set out the valuation of our collateral, and not just
23 the conclusion, but the basis for that. And we negotiated with
24 the other side a scheduling order that was premised on the
25 notion that the basis for their evaluation would be set out at

1 the Disclosure Statement stage.

2 Now I don't -- I'm not saying I'm sorry about the
3 language in the Disclosure Statement. But I think, before we
4 watch, we're entitled to understand how they got to the
5 valuation to which they got.

6 And what they say with respect to the valuation of our
7 collateral, what they say in their amended Disclosure Statement
8 is, well, here's what we've done, we've conducted a valuation
9 of the enterprise, and using the traditional, you know,
10 comparable companies, comparable transactions and discounted
11 cash flow, and so we've come to a number, we won't tell you
12 what that is. And then what we did is we allocated that value
13 across certain assets, and we won't tell you what that
14 allocation is. And then we charged against the part that is
15 your collateral the costs of our concessions, we won't tell you
16 what the formula is. And so that's the target. And I thought,
17 when the Court said, you're going to get the valuation and the
18 basis therefor, the information that they decided not to give
19 us is what we would have.

20 THE COURT: When you say they decided not to give them
21 to you, do you -- are you saying that they just are alleging
22 they don't need to put that level of detail in the Disclosure
23 Statement, or are you saying that, in discovery, that they're
24 also not going to tell you?

25 MR. GOLDBLATT: They're -- I think -- you should ask

1 them. But I think what they're -- what their position is, is
2 that we get that information two days before our expert report
3 is due, which we think is unreasonable and inconsistent with
4 what the Court intended.

5 THE COURT: Where is the -- let me open the
6 stipulation that I approved.

7 MR. GOLDBLATT: The actual scheduling order itself?

8 THE COURT: Right. Do you remember the -- here it is,
9 498.

10 (Participants confer.)

11 THE COURT: I think 498 is the one, right here. Is
12 that it, on the screen?

13 (Participants confer.)

14 MR. GOLDBLATT: So the scheduling order itself --

15 THE COURT: I think I've got it on the screen.

16 MR. GOLDBLATT: Oh, it's on the -- it's on the screen.
17 Okay. So it was built on the premise that we get the
18 fundamental notions of valuation at -- on August 28th, and that
19 they would wrap that up in an expert report on September 19th,
20 and that we would have an expert report on the 21st. So it was
21 really built on the notion that they would carry out the letter
22 and spirit of the Court's ruling on August 7th, I believe it
23 was. And the failure to provide that information, which exists
24 -- I mean, you can -- if you read what they disclosed, they
25 said they've done this, they just won't tell us.

1 THE COURT: But I -- I know what I said, and I think
2 you've accurately quoted what I said. I think they have put in
3 the Disclosure Statement something that is on one end of the
4 range of what I said.

5 (Laughter.)

6 THE COURT: And it's, for a Disclosure Statement, sort
7 of what you would expect. For an expedited discovery order, it
8 may not be and --

9 MR. GOLDBLATT: That's my point. I'm not complaining
10 for --

11 THE COURT: Yeah.

12 MR. GOLDBLATT: -- for 1125 purposes --

13 THE COURT: Yeah. And so what I --

14 MR. GOLDBLATT: -- that creditors need that.

15 THE COURT: What I want to really hear from
16 Mr. Beckham is why that data can't go ahead and be provided to
17 you now; not in the Disclosure Statement, but get it to you, so
18 that your expert can start working on their report. And I'm
19 talking about the basic data, like you've described. Because I
20 -- it's one thing to say that the Disclosure Statement is
21 adequate, which it may very well be. It's another to say that
22 you should have to wait for all that data.

23 MR. GOLDBLATT: Right. As I started, that's exactly
24 my view.

25 THE COURT: So let me hear from Mr. Beckham.

1 MR. BECKHAM: Your Honor, on this point, I'm going to
2 pass to Mr. Basta.

3 THE COURT: That's fine.

4 (Pause in proceedings.)

5 MR. BASTA: Mr. Basta, good morning, Your Honor.

6 MR. BASTA: Good morning, Your Honor.

7 I just take this as sort of being made more
8 complicated than it is. There's going to be a valuation
9 dispute at the confirmation hearing. They have the
10 projections. We're going to have an expert; they're going to
11 have an expert. We've been complying with the discovery, we've
12 been rolling out the discovery. They're going to take their
13 discovery, they're going to see the projections.

14 We're going to have a valuation expert. Our report is
15 due September 19th. We have met all of our deadlines. Our
16 valuation methodology will be -- has been laid out in the
17 Disclosure Statement, will be laid out in the expert report,
18 and will be subject to the briefing at confirmation.

19 They will have the same. They will have access to the
20 same set of projections, they will have their own view of
21 valuation. And at the confirmation hearing, the Court will be
22 -- will have two different views of the valuation of the
23 collateral. The Court will make a ruling, and we'll go forward
24 on that basis.

25 I don't know what is different about this valuation

1 exercise that is different than a valuation exercise that
2 occurs in virtually every single, you know, confirmation. I'm
3 not aware -- I think there's a motion to compel that's on
4 later, in the court, about additional financial information
5 that they're seeking from AT&T and Direct --

6 THE COURT: Well, that's for AT& and Direct, but --

7 MR. BASTA: -- DirecTV, but from my -- my
8 understanding is they have been given -- they have been given
9 the projections, and that's the key items, in terms of --
10 there's three pieces of collateral, really: There's the FF&E,
11 there's the cash -- it's easy to value the cash -- FF&E, cash,
12 and the affiliation agreement. The affiliation agreement, the
13 methodology for evaluating the affiliation agreement is a
14 function of how much it contributes to the reorganization value
15 of the Debtor.

16 THE COURT: But you can't tell that from the
17 Disclosure Statement.

18 MR. BASTA: You can't tell --

19 THE COURT: How the calculation got done. If you all
20 have done the calculation, can't you give it to them right
21 away? That's what they need. It's not --

22 MR. BASTA: They need -- when you say the
23 "calculation," Your Honor, I don't want to --

24 THE COURT: How did you calculate the value of the
25 affiliation agreement for the purpose of putting it -- you put

1 a number or a range of numbers in the Disclosure Statement.

2 MR. BASTA: So, Your Honor, we're a little -- well, we
3 -- the expert report is being finalized. The expert report is
4 going to use different valuation methodologies, and are going
5 to have a number of inputs that -- the deadline that was
6 negotiated --

7 THE COURT: Well, that's fine.

8 MR. BASTA: But I don't -- what I don't want to do,
9 Your Honor, is to give a -- we have a deadline of the 19th for
10 giving the expert report. If we're -- I don't want to give the
11 expert -- information now, and then have an expert report that
12 comes, that's inconsistent with the information. I mean, the
13 reason you do an expert report --

14 THE COURT: Well ...

15 (Laughter.)

16 MR. BASTA: No, no. I'm just saying it's -- the
17 expert is doing -- it's doing its report. It comes in one --

18 THE COURT: Yeah.

19 MR. BASTA: It comes in one piece. They get the
20 expert report; they don't get it piecemeal.

21 THE COURT: No, I know that you don't want an expert
22 report that's inconsistent with what you currently believe.
23 But they get to know what you currently believe, and that's
24 discoverable.

25 MR. BASTA: It's --

1 THE COURT: And if it turns out to be that what your
2 expert says is inconsistent with what --

3 MR. BASTA: It --

4 THE COURT: -- your client thinks --

5 MR. BASTA: Yeah, but --

6 THE COURT: -- then they get to exploit that.

7 MR. BASTA: One second, Your Honor.

8 THE COURT: Yeah.

9 (Participants confer.)

10 MR. BASTA: Your Honor, Comcast manages the network.
11 The teams have not independently done a valuation of the
12 collateral. The --

13 THE COURT: There is a statement in the Disclosure
14 Statement that gives a range of value for the collateral. I
15 assume that was not pulled out of thin air. What was used to
16 create that number needs to be turned over to them, and not on
17 the 19th. Now, if you want, I'll accelerate your expert
18 deadline, and I'll extend their expert deadline. But I think,
19 really, just giving them the data that the Disclosure Statement
20 was based on makes more sense. And I got it that your expert
21 may come up with a different conclusion.

22 MR. BASTA: Uh-huh.

23 THE COURT: But they're entitled to know, and just
24 common sense says they get to know where that number comes
25 from.

1 (Participants confer.)

2 THE COURT: And I assume you don't care about how they
3 valued the furniture, right?

4 MR. GOLDBLATT: No. I mean, just to be --

5 UNIDENTIFIED: One second, Chris.

6 MR. PERRIN: The -- it's my understanding that the
7 valuation range we gave was for preliminary discussions with
8 our expert, which you would expect us to rely upon. And I
9 think it's a little unusual to turn over preliminary work
10 product from an expert until they've concluded their work. I
11 mean, are they going to -- are they going to turn over --

12 THE COURT: Well, I --

13 MR. PERRIN: -- everything their expert --

14 THE COURT: Well, I think --

15 MR. PERRIN: I mean, I think -- is that what you're
16 asking us to do?

17 THE COURT: No. I think that the rules say that, with
18 respect to expert reports -- they've changed the rules, and
19 those preliminary --

20 MR. PERRIN: Right.

21 THE COURT: -- reports don't come in.

22 MR. PERRIN: Right.

23 MR. BASTA: Right.

24 THE COURT: So, if your answer to the discovery is, we
25 have conducted no analysis, and all we have is preliminary

1 reports from our experts --

2 MR. PERRIN: I think that's --

3 THE COURT: -- that may a fair answer.

4 MR. PERRIN: Isn't that the case?

5 THE COURT: Because that's a different answer than
6 saying, we don't want to give away our preliminary numbers. So
7 that may then change some of the other deadlines, I got it.

8 MR. GOLDBLATT: Okay.

9 (Participants confer.)

10 THE COURT: I'm not restricting to change deadlines.

11 MR. PERRIN: Fine. Well, it's the point --

12 THE COURT: But I don't think they have to turn over
13 preliminary expert reports.

14 MR. BASTA: Well, that's what this, this is a
15 preliminary expert --

16 MR. PERRIN: But that's exactly what we're relying
17 upon. And I mean, we don't have the capacity or the tools to
18 do that. And they can't argue this and cry about that. I
19 mean, that's what -- battle of the experts, Your Honor.

20 MR. GOLDBLATT: Your Honor, the dead --

21 MR. PERRIN: Why -- I --

22 MR. GOLDBLATT: The dead -- I'm sorry. The deadlines
23 were negotiated against the backdrop of what this Court ordered
24 and said --

25 THE COURT: Right.

1 MR. GOLDBLATT: -- on August 7th. And what the Court
2 said then was that, on August 28th, we'd get the basis for
3 their valuation. And what they're saying now is we're not
4 going to give you the basis for our valuation because we've got
5 reasons that we don't want to give it to you.

6 MR. PERRIN: No, no, no. That's not what we're
7 saying.

8 (Participants speak simultaneously.)

9 THE COURT: Hold on. Let me pull out the Rule.)

10 (Pause in proceedings.)

11 THE COURT: Okay. I mean, I think the rule is pretty
12 unambiguous about this. And if their sole basis is that they
13 relied on their experts, and they have no independent knowledge
14 of how to value it, they can put that in the Disclosure
15 Statement. And I've told them to give me the basis, and their
16 basis is it's what our expert told us. That's it, that's all
17 they know. That said, I'm not going to make your report due
18 two days later.

19 MR. GOLDBLATT: Okay.

20 THE COURT: So I mean, we're going to figure out a way
21 to delay that or to accelerate theirs.

22 MR. GOLDBLATT: Right. Because we were operating
23 under the assumption that we'd have some period of weeks, after
24 we saw their report, to do ours.

25 THE COURT: Yeah.

1 MR. GOLDBLATT: And so -- not their report --

2 THE COURT: Well, not of their report.

3 MR. GOLDBLATT: -- but after the fundamental inputs
4 into their conclusion.

5 (Participants confer.)

6 THE COURT: All right. Notwithstanding the
7 stipulation of the parties, I am going to give Comcast 10
8 calendar days from the date on which they receive the expert
9 report to file their expert report; so that the proponents of
10 the plan may make their expert disclosures prior to September
11 21, if you want to try and get the report from Comcast earlier,
12 or you may make it on September 21, and then you're going to
13 not get their report until 10 days later. Ten days counts
14 weekends. But I'm going to give you a full 10 days. I do
15 think they're right about what that -- what the rule is and --
16 if their sole basis is reliance on experts.

17 I'm additionally going to order that, in discovery, if
18 they have information about the valuation that was done, not by
19 their experts, but their own internal valuation that led them
20 to conclude that was the right range, that data must be turned
21 over within three days of today.

22 So I think that is their basis, and that's what I
23 ordered. But I'm going to give you a full 10 days. I just --
24 I do understand that you made the stipulation believing it was
25 going to be in good faith. I don't think they've acted in good

1 faith, and I'm going to just amend the stipulation, to try and
2 be fair about this.

3 MR. GOLDBLATT: Okay. Here's what -- that makes
4 sense, and I appreciate what Your Honor is trying to
5 accomplish, and I think that, fundamentally, that's fair.

6 My one concern is that our expert -- the Jewish
7 holidays fall right in the middle of this period, and you've
8 given them some flexibility about when they'll provide it.

9 THE COURT: Right.

10 MR. GOLDBLATT: I'll tell you, my expert is observant.
11 And if the 10 days include the heart of the holidays, that
12 could be problematic. So we're happy to work with them --

13 THE COURT: If the 10 days includes the heart of the
14 Jewish holidays, I will instruct the parties that I expect you
15 all to work about appropriate extensions on that. I'm not
16 observant, but I'm respectful, so --

17 MR. BROWN: Judge, I was going to say, on behalf of
18 the teams, we can certainly work with Comcast. We know that a
19 number of folks involved in the case are observant and --

20 THE COURT: Right.

21 MR. BROWN: -- we can work with them.

22 THE COURT: I'm not, but I'm going to insist that we
23 respect those religious beliefs. And if that means 10 days is
24 impractical because of that, then -- I want them to have a real
25 period of time to prepare their expert report and --

1 MR. GOLDBLATT: We appreciate that, Your Honor.

2 THE COURT: So that -- I'm orally amending the
3 stipulation to do that, and would encourage you all to probably
4 get your expert report out early, so that we don't really have
5 a problem. When is Rosh Hashanah and Yom Kippur? I just don't
6 know.

7 (Participants confer.)

8 MR. GOLDBLATT: Mr. Shapiro will address that, Your
9 Honor.

10 MR. SHAPIRO: Rosh Hashanah is the night of the 24th,
11 Your Honor.

12 THE COURT: Okay.

13 MR. BROWN: Your Honor.

14 THE COURT: Mr. Brown.

15 MR. BROWN: Good morning, Your Honor. Judson Brown
16 for the Astros.

17 Just looking at the schedule, the change in the
18 deadline for their expert disclosure is going to have a ripple
19 effect on some of the other deadlines. And we'll work with
20 Comcast and Mr. Goldblatt --

21 THE COURT: Okay.

22 MR. BROWN: -- his team, and just work through those.

23 THE COURT: That's fine. I'm finding other days to
24 have over the week following the date we've set, so that we
25 aren't going to end up with one of these confirmation hearing

1 that runs over a couple of months. If that means that the
2 expert reports will be sort of the last thing we do, instead of
3 the first thing we do, you all should take that into account,
4 in terms of creating some flexibility here, where perhaps we
5 don't even get to expert testimony until the second
6 confirmation day.

7 I'll just -- I'm prepared to be flexible with how we
8 deal with that, and I will give you all enough time to get this
9 done. But this isn't going to be a confirmation hearing that
10 occurs in October, November, and December. It's going to occur
11 starting October -- when did we say, 2nd or 4th?

12 MR. BROWN: 2nd, Your Honor.

13 THE COURT: Whatever day we have. And proceeding on
14 an orderly basis within -- I'll tell you right now what I've
15 got. If we don't finish on the 2nd, we'll come back on the
16 6th. And if we don't finish in the 6th, we'll come back on the
17 7th. And if we don't finish on the 7th, then you all violated
18 my time limits, so ...

19 (Participants confer.)

20 THE COURT: I don't think it's going to take longer
21 than that, but -- so that may give you all some flexibility on
22 how to schedule this. I'm just telling you all that for your
23 all's own internal agreements. And I'm prepared to allow the
24 case-in-chief to come in without the expert testimony, and then
25 to put on the two experts on the last day, of that's what makes

1 sense. I'm not requiring that at all, but I want to give you
2 all some flexibility as you work through that.

3 MR. BROWN: In other words, Your Honor, if the plan
4 proponents, for example, put on their case-in-chief, Comcast
5 put on their case-in-chief, we could then call experts after
6 both sides have done their cases-in-chief.

7 THE COURT: If that works for the two -- for the
8 parties. I'm not going to order it, but I'm --

9 MR. BROWN: Yeah.

10 THE COURT: -- trying to give you all flexibility, as
11 you talk, to tell you that I'll be flexible about how I hear
12 this.

13 MR. BROWN: We appreciate that, Your Honor.

14 MR. BECKHAM: Your Honor, one -- perhaps a
15 housekeeping issue. But in order to, perhaps, speed up the
16 process, we would anticipate presenting direct testimony by
17 proffers and declarations, if that would be acceptable to the
18 Court. And the same thing for Comcast. I don't know if -- I
19 haven't discussed that with Mr. Goldblatt yet, to find out if
20 that would be satisfactory with him.

21 THE COURT: I take -- I will do proffers and
22 affidavits only by agreement, and so I will not do that
23 inconsistent with the Federal Rules of Evidence, if I get an
24 objection to it. So you all can work that out or not work it
25 out, I don't care. But if they don't -- I will tell you, if,

1 for example, Comcast doesn't agree, I -- it's my view that a
2 proffer is the ultimate form of leading testimony, right? So
3 I'm not going to allow it. But if they agree, and the parties
4 want to do it that way, I'm quite happy to. This isn't --

5 MR. GOLDBLATT: Your Honor, this is the first we've
6 heard of it. We'll consider it, but ...

7 THE COURT: I'm going to leave that up to you all.

8 MR. BECKHAM: Right.

9 THE COURT: But I don't want you walking in, saying,
10 well, we were going to do that by proffer, I didn't know they
11 were going to object.

12 MR. BECKHAM: Right.

13 THE COURT: If they object, you ain't doing it
14 proffer.

15 MR. BECKHAM: Okay. All right. We'll discuss it with
16 Comcast and see what we progress we can make.

17 THE COURT: Okay. So what I would like to do,
18 assuming this works for everybody, is go ahead and take up the
19 discovery dispute with AT&T and DirecTV now, and then adjourn
20 until, I'd suggest around 3:30, to give Mr. Flores time to fix
21 the orders and incorporate the language into the Disclosure
22 Statement, and then come back with the contemplation that we'll
23 sign orders on the Disclosure Statement this afternoon, before
24 we go home. Is that a workable time frame to do that?

25 MR. BECKHAM: I believe so, Your Honor. We do have

1 the exclusivity motion that you may want to take up now.

2 THE COURT: That's fine.

3 MR. BECKHAM: I don't think that's going to take very
4 long.

5 THE COURT: I mean, we can take that up now, if you
6 want to.

7 MR. BECKHAM: Okay.

8 THE COURT: But let's talk about, for a moment,
9 though, the Disclosure Statement and the solicitation order.
10 Any -- if no one has any problem with that, why don't we let a
11 sufficient number of people leave now, so that they can go and
12 work on that, and come back at 3:30. Is that -- I assume,
13 Mr. Flores, you're the primary drafter, from the way things
14 have been being discussed. Is that right?

15 MR. FLORES: Your Honor, I don't want to take the
16 credit or the blame for a lot of this. Me and Mr. Castillo can
17 take care of this, Your Honor, yes.

18 THE COURT: And is -- I don't want to bring you back
19 here at 3:30, if you're not going to be ready. Is that a
20 reasonable time, or do you need more like 4:30? What do you
21 want?

22 MR. FLORES: I think we can do 3:30.

23 THE COURT: 3:30?

24 MR. FLORES: That's fine.

25 THE COURT: Okay. I'll see you all at 3:30. Anyone

1 that needs to leave to consult with them is welcome to leave
2 now. You all are welcome to stay for the other, more
3 miscellaneous matters.

4 (Participants confer.)

5 THE COURT: All right. Did you want to go to
6 exclusivity, or do you want to go to discovery? I don't care.

7 MR. BECKHAM: Let's go to discovery, Your Honor.

8 THE COURT: All right.

9 MS. SESSIONS: Good morning, Your Honor.

10 THE COURT: Good morning.

11 MS. SESSIONS: Dana Seshens for the Comcast entities.

12 Your Honor, we are here on the Comcast entities'
13 motion to compel additional discovery from AT&T and DirecTV,
14 who, as Your Honor undoubtedly has seen in the papers, are
15 withholding a series of internal communications that predate
16 the final deal terms that were reached by the parties for the
17 transactions that have given rise to the plan. I think --

18 THE COURT: Let me -- just to be sure that I'm
19 following the dispute.

20 MS. SESSIONS: Sure.

21 THE COURT: My understanding is that what they are
22 withholding are documents that were not communicated to the
23 plan proponents, correct?

24 MS. SESSIONS: That is correct, Your Honor.

25 THE COURT: Okay.

1 MS. SESSIONS: Internal communications only.

2 THE COURT: Okay.

3 MS. SESSIONS: And so, as we understand, and I think
4 as their papers yesterday made clear, they are not asserting a
5 privilege over those communications, and they are not asserting
6 that the production of those communications would impose an
7 undue burden.

8 Rather, it is their view, as we understand it, that
9 internal communications, to Your Honor's point; communications
10 not shared with the teams or the Debtor, are somehow not
11 relevant to the issues for confirmation, insofar as they are
12 just deal terms that were non-final and discussed in and
13 amongst each of AT&T and DirecTV.

14 We, obviously, disagree with that position on
15 relevance and think, at the discoverability stage, there can be
16 little dispute that that information is likely to give rise to
17 the discovery of admissible evidence on issues such as
18 valuation, whether the plan, as proposed is fair and equitable,
19 and bad faith, as we've set forth in our papers.

20 I would note that the -- AT&T and DirecTV are really
21 percipient witnesses to how this transaction came to pass. And
22 as a result of that, they are uniquely situated to have
23 knowledge and information about how certain provisions came to
24 be, what the motivation was in putting this plan together, what
25 this pricing mechanisms were that were considered, even if they

1 did not get into the final deal.

2 And so discussions in and amongst themselves, for
3 example, about a telephone call that AT&T and DirecTV had with
4 the teams, where AT&T, internally, is discussing the subject
5 matter of the call, proposals they might make, but maybe
6 ultimately decide not to make because of what they understand
7 to be going on, in terms of plan structure and motivations, we
8 think would bear on these issues.

9 Similarly, they have -- they are withholding a series
10 of financial projections that we think go to valuation; insofar
11 as those projections do not reflect the non -- the final deal
12 terms. And from our perspective, analyses and valuations that
13 were undertaken to consider various structures, various pricing
14 mechanisms, and other components of the plan that were
15 considered, but ultimately perhaps not agreed upon, we think
16 bear on the structure of this plan and how it came to pass.

17 It is not the case, as I understand it, that AT&T and
18 DirecTV do not have these materials at the ready. They have
19 already reviewed them, as we understand things, to sort of
20 sequester this to the side. And so they are the only source of
21 this information we're seeking. It is not as though we can get
22 at what AT&T and Direct, individually, was talking about or
23 discussing or thinking about, in connection with the plan, from
24 any other source.

25 And therefore, standing on this relevance objection,

1 at this point in time, we think is inappropriate because it
2 could give rise, and is likely, in our view, to give rise to
3 the discovery of admissible evidence.

4 THE COURT: So let's talk about what you think might
5 give rise or might, itself, have relevance on the pricing
6 structure --

7 MS. SESSIONS: Sure.

8 THE COURT: -- or on some other specific -- I want to
9 get a little bit into some specifics, so I understand it
10 better. So not anything that gets communicated to a plan
11 proponent. They, internally, try and figure out what the right
12 pricing structure is.

13 MS. SESSIONS: Yes.

14 THE COURT: And they deal with different per capita
15 prices or different tier prices, and they come to a final set
16 that they think is a more accurate forecast. How do those
17 affect a confirmation issue?

18 MS. SESSIONS: Well, I think in at least two ways,
19 Your Honor. And I think -- we have been looking at it from the
20 perspective that they may have all these analyses that they
21 have run through to get to a pricing structure. And it may be
22 -- I don't know what their documents say --

23 THE COURT: Right.

24 MS. SESSIONS: -- but internally, they have
25 considered, well, maybe we pay more than X, and if we pay more

1 than X, this is what the deal looks like. But perhaps the
2 teams want something else. And so, in exchange for giving them
3 something else, let's say higher value on the rights
4 agreements, will reduce X. And maybe that discussion --

5 THE COURT: I know, but -- so the -- well, it's clear
6 the teams would have wanted as much as they could for their
7 rights agreements.

8 MS. SESSIONS: Sure.

9 THE COURT: I mean, I think we can -- anybody wants as
10 much as they can for what they own. So the teams negotiate for
11 as much as they can get. How does that then -- how would that
12 affect anything?

13 MS. SESSIONS: Well --

14 THE COURT: Because from the owner's point of view,
15 they're always going to want the highest possible price from
16 the consumer, and they're going to want to pay the lowest
17 possible price to the Astros, so -- or to the Rockets.

18 MS. SESSIONS: Correct.

19 THE COURT: So how would that -- how would their
20 internal documents then lead me to a confirmation question?

21 MS. SESSIONS: Well, let's say, internally, they are
22 talking about, we want to propose we'll pay X for the network,
23 and they have a call with the teams. And they come back, and
24 they're talking internally --

25 THE COURT: Because -- let's use some numbers. Let's

1 say that they were originally thinking of -- right now, they're
2 not paying really anything, in terms of to the equity owners.

3 MS. SESSIONS: Agreed.

4 THE COURT: So let's assume that they were originally
5 saying they'll pay -- and I'm just going to throw a number out
6 -- \$25 million --

7 MS. SESSIONS: Uh-huh.

8 THE COURT: -- to the equity owners. But the Astros
9 and the Rockets held out for as much as they could possibly
10 get, and Comcast -- I'm sorry -- and DirecTV and AT&T said,
11 look, if we're going to have to pay that much to the Astros and
12 the Rockets, we'll no longer be willing to pay \$25 million to
13 the owners, we're going to now pay them each \$1,000.

14 MS. SESSIONS: Right. And that may --

15 THE COURT: So how does that leave anything that
16 affects confirmation?

17 MS. SESSIONS: Well, I think we've got two arguments
18 on that, Your Honor. The first is it could -- I don't know
19 what the documents would say, but it could give rise to
20 arguments that there is a problem -- a violation of the
21 absolute priority rule; insofar as, if the documents were to
22 support it, and the information were to support it, the
23 additional payments to the Astros and to the Rockets on account
24 of -- on their media rights, if a payment on account on old
25 equity, as opposed to -- and therefore, old equity is getting

1 paid before senior creditors --

2 THE COURT: But at least the -- at least the
3 allegations that have been made -- and I don't think -- and I
4 assume you've seen these, that you now know the truth, so --
5 you may not yet, because I don't know what the status of
6 discovery is. But the Astros and the Rockets are saying
7 they're getting paid less for their media rights agreements
8 than they were when they were in a deal with Comcast. So that
9 would tend to not support your argument. I mean, I --

10 MS. SESSIONS: Well, and that -- but that is -- that
11 is exactly our point, Your Honor; that is their argument. I
12 think we don't necessarily agree with that. And so, in order
13 to test their assertions that this is somehow materially worse
14 for them, and that they are making these concessions, and not
15 somehow bargaining --

16 THE COURT: Right.

17 MS. SESSIONS: -- to get more for themselves, and to
18 take that away, value that otherwise could have been there for
19 the Debtor, let's say, that that somehow could give rise to a
20 violation of the absolute priority rule.

21 THE COURT: Well, no. But so long as they're getting
22 less for their media rights agreement -- and maybe that's a
23 fact in dispute.

24 MS. SESSIONS: Well, that's what I'm saying, is I
25 think --

1 THE COURT: But if they are getting less for their
2 media rights agreement, then I don't understand the argument.
3 If they're getting more for their media rights agreement, I
4 start to appreciate your argument.

5 MS. SESSIONS: And that is what we want to explore
6 because I think we have said that -- as we put in our papers,
7 that their media rights could be above market, and in which
8 case, they're getting above-market media rights, and we --

9 THE COURT: Have you not seen their media -- their new
10 media rights agreement yet?

11 MS. SESSIONS: We have seen their new media rights
12 agreements, I believe, but we have not undertaken all --
13 completed all of the discovery --

14 THE COURT: Okay. But I mean --

15 MS. SESSIONS: -- surrounding that.

16 THE COURT: -- let's assume that you complete that,
17 and that it turns out that, under the -- that their
18 representations are accurate, and they're getting less for the
19 media rights than they have currently contracted for. Then
20 what's the argument that there was a shift from equity to media
21 rights?

22 MS. SESSIONS: The argument is slightly different,
23 Your Honor.

24 THE COURT: Okay.

25 MS. SESSIONS: It is that the media rights are above

1 market value; and, therefore, they are getting value on account
2 of their old equity interests, and that the shift is from
3 equity -- or value that would be available for senior claimants
4 that somehow is getting shifted to the equity holders through
5 the media rights.

6 We are not in agreement -- it should not surprise,
7 Your Honor -- that their media rights are necessarily -- they
8 are worse off, or that they are materially worse off, or that
9 they're not -- we think they're above market. And so we want
10 to test all of that by looking at the negotiations that gave
11 rise to that. And some of that derives from internal
12 communications.

13 It is not the case that these are somehow -- you know,
14 it's sort of like they're making a work product argument; that,
15 somehow, because you have behind-the-scenes communications that
16 don't give rise to the final product, you don't get to see the
17 process by which this deal came to pass. It's like should --

18 THE COURT: Well, no. All they need is a relevance
19 argument. I'm trying to -- and so that's why I keep asking
20 relevance questions.

21 MS. SESSIONS: Well, and that's what --

22 THE COURT: I'm trying to --

23 MS. SESSIONS: And --

24 THE COURT: -- understand your --

25 MS. SESSIONS: That's entirely fair, Your Honor. I

1 think there are analyses and discussions that could have taken
2 place internally that speak to the issues that we believe are
3 ripe for confirmation; valuation, for example. It could be the
4 case -- I don't know -- that there are internal discounted cash
5 flow analyses, projections, things of that nature, that are
6 different, and that undermine either the disclosure that's come
7 forward in the Disclosure Statement, or would ultimately will
8 come to pass for valuation in the litigation.

9 And insofar as they have that work, and it's not
10 protected by a privilege and it's not unduly burdensome to
11 produce, we don't see a reason that we're not entitled to that,
12 to test what it is that they --

13 THE COURT: And I will say that I'm pretty
14 sympathetic, in terms of operating revenue and operating
15 expense projections, which is different than the flow-through
16 of the deal points, because the operating revenue and operating
17 expenses are what's going to drive valuation.

18 But I also want to respect the fact that we shouldn't
19 just, wholesale, turn stuff over that isn't relevant. And that
20 becomes especially true when we're dealing with direct
21 competitors of one another. And I --

22 MS. SESSIONS: I --

23 THE COURT: I'm going to be sensitive to that point.

24 MS. SESSIONS: To address that, Your Honor, if I may.

25 THE COURT: Yeah.

1 MS. SESSIONS: I think the notion that there is some
2 competitive angle here I think is completely belied by the fact
3 that we have a protective order here that has a highly
4 confidential designation, that is attorney -- outside counsel's
5 eyes only.

6 And so the -- I mean, we've been at this for ages,
7 where Direct and AT&T are trying to get Comcast's information.
8 I mean, it goes both ways here. And I don't think -- while I
9 think we're all sympathetic to competitive concerns, my client
10 included, it is not the case that this is getting at that
11 information for the sake of sharing it with, for example,
12 businesspeople at Comcast. This really goes to what we think
13 are confirmation issues.

14 The one we did not touch on is bad faith, which is
15 something that we are exploring in discovery. And I think the
16 closest people to the subjective intent and motives behind this
17 plan, other than the plan proponents themselves, are the people
18 that negotiated all of the transactions that give rise to the -
19 - this plan. And so, to block that whole process really
20 handicaps our ability to take discovery that could give rise to
21 these arguments.

22 Part of discovery is -- we don't know what their
23 internal communications are, obviously. But on the three
24 arguments we laid out, we think that they are, at a minimum,
25 discoverable, we think they're relevant. But the -- what we're

1 talking about now is: Are they likely to give rise to evidence
2 --

3 THE COURT: Right.

4 MS. SESSIONS: -- that could support our arguments at
5 confirmation.

6 THE COURT: Thank you.

7 MS. SESSIONS: Thank you, Your Honor.

8 THE COURT: Let me hear from Mr. Lopez or
9 Mr. Greendyke, or whoever wants to argue for their side.

10 MR. GREENDYKE: Thank you, Judge. Bill Greendyke on
11 behalf of AT&T Teleholdings.

12 Judge, it's sort of an impression. The amount of
13 discovery that's been propounded against our client is pretty
14 stunning, and the amount of discovery that we've provided to
15 Comcast has been, I think, very large and very impressive.

16 At the time of the filing of our reply or our
17 objection to the motion to compel, approximately 16,000 pages
18 of documents were provided, and more were sent last night. You
19 know, this is a preview, from a discovery standpoint. We're
20 engaged in conversations with them about depositions.

21 And I'm telling you, unless we can make an agreement,
22 I think we're going to push back hard on that because the scope
23 of the discovery that's sought against the buyers is, I think,
24 extensive, compared to the discovery that's sought against the
25 plan proponents or the Debtor. And that really highlights a

1 distinction that is very important to our arguments to the
2 Court.

3 You know, to the extent that the stated issues are
4 valuation of the Comcast claim, the fair and equitable rule,
5 and whether or not that works; the absolute priority rule; or
6 the plan proponents' good faith under 1129(a)(3), the only one
7 that really has any relevance to what's going on and what we're
8 doing is valuation, and we have no valuation documents, as far
9 as I understand.

10 We have provided everything that relates to the deal,
11 as we said in our pleadings, and gave you a list of the
12 documents and transactions that are part of the plan that's
13 being proposed, that we have been involved in as buyers; all
14 that has been provided.

15 THE COURT: Well, let's take her argument that you all
16 may have decided that you were intentionally paying above-
17 market rates, instead of paying market-rates, and that that is
18 a shifting to some equity owners, to the disadvantage to
19 holders of unsecured claims. That's essentially, her --

20 MR. GREENDYKE: Well, I mean --

21 THE COURT: -- one of her arguments.

22 MR. GREENDYKE: Let -- I mean, that's a very specific
23 argument. I think, to the extent it relates to the deal and
24 those documents exist, they've been provided. he documents
25 that we asked to withheld -- asked to withhold on the basis of

1 relevance are things that are things that are not part of the
2 deal --

3 THE COURT: Right. But let's assume --

4 MR. GREENDYKE: -- never were part of the deal.

5 THE COURT: -- that you all have an internal -- and I
6 don't know what -- obviously, I haven't seen your internal
7 documents. So let's assume that the market rate -- and we'll
8 use some outlandish number because I know everybody has always
9 sealed what these market rates are.

10 So we'll assume that the market rate for a household
11 is 10 bucks. Okay? And that, under the pricing deal that you
12 all cut with the Astros and Comcast, you're paying 12; and
13 that, if you were only paying 10, that would have paid
14 something to the entity to get the deal, but that you're not
15 paying anything to the entity because you're paying 12, your
16 internal documents could reflect that. I don't know that they
17 do. What do I do with that argument by her? Because that's
18 her argument.

19 MR. GREENDYKE: I mean, I think it's irrelevant. I
20 think what we decided not to do is irrelevant. To the extent
21 that there were documents or there was trading between the
22 teams and/or the Debtor and AT&T, or DirecTV for that matter, I
23 think those have all been disclosed.

24 All that you're -- all that you're talking about is
25 sort of like the thoughts, if you will, of a whiz kid at AT&T,

1 who's thinking about -- you know, not to use your example, but
2 to use even more, you know -- to use such example. Let's say
3 somebody had an idea of combining this network with the Rockets
4 and with the Astros with the San Antonio Spurs or with the Los
5 Angeles Dodgers, or something like that. That's not the deal,
6 that's not what's happening. What difference does it make? A
7 better question, though, is --

8 THE COURT: But take my --

9 MR. GREENDYKE: The better --

10 THE COURT: Let's assume that my example is in your
11 internal documents, that --

12 MR. GREENDYKE: The better question, using your
13 example, Judge, is: What difference does what happens in the
14 mind of somebody deep inside the structure of AT&T have to do
15 with the attitude of the plan proponents? Because if we're
16 talking about fair and equitable, none of this has anything to
17 do with fair and equitable.

18 If we're talking about the absolute priority rule,
19 that's a legal decision you're going to have to make about what
20 they're doing with their equity and whether or not the
21 mechanics of the plan have an impact on it or qualify for that.

22 We're talking about the plan proponents' good faith.
23 It doesn't matter what AT&T thought about good faith; it's the
24 plan proponents' good faith that the Court needs to examine.

25 THE COURT: So you're not going to be looking for a

1 finding that AT&T and DirecTV acted in good faith?

2 MR. GREENDYKE: That's not what's been argued to.

3 THE COURT: Yeah. Yeah, she --

4 MR. GREENDYKE: That's not what's been argued to.

5 THE COURT: She just argued it.

6 MR. GREENDYKE: Sure. Sure, we want to be in good
7 faith. Sure we want to be --

8 THE COURT: Well ...

9 MR. GREENDYKE: -- you know, take free and clear of
10 claims if we buy something under a plan.

11 THE COURT: Right.

12 MR. GREENDYKE: But the argument that's been made to
13 you is the proponents lack good faith, or good faith with
14 regard to the proposal of the plan. That's not us. It can't
15 be use. And that's the mechanics that we really have a problem
16 with, Judge.

17 THE COURT: How many documents are there --

18 MR. GREENDYKE: I think --

19 THE COURT: -- that you're withholding?

20 MR. GREENDYKE: I think approximately a thousand have
21 been withheld.

22 THE COURT: A thousand pages or a thousand documents?

23 MR. GREENDYKE: I think a thousand pages, Your Honor.

24 THE COURT: But you all, or by you all and DirecTV
25 together?

1 MR. GREENDYKE: I don't know about DirecTV. You'd
2 have to ask their counsel.

3 THE COURT: Okay.

4 MR. GREENDYKE: I actually asked that question of my
5 litigation team this morning. They told me it was
6 approximately a thousand. And most of those, if not all of
7 them, involve terms that are not part of the deal.

8 THE COURT: Okay. Look, I mean, I've -- I think your
9 example of should this network be combined with San Antonio,
10 that's so farfetched, it stretches any credibility.

11 If there was a shift from your client's willingness to
12 pay for the entity, versus your client is willing to pay rights
13 fees, that seems to be something that could lead to
14 discoverable evidence.

15 MR. GREENDYKE: But you would see that shift in the
16 documents that were not privileged, that were produced in
17 connection with discussions with the teams, discussions with
18 the Debtor or discussions with DirecTV.

19 THE COURT: You could. You could, but there may be a
20 shift, and there's no explanation for the reason for it. So I
21 don't know what's in your internal documents. Is there a
22 reason why they shouldn't be submitted in camera for me to take
23 a look at, and the ones that I think might have relevance,
24 we'll order disclosed or redacted?

25 MR. GREENDYKE: I mean, we will do what the Court

1 orders, Judge.

2 THE COURT: Well, I mean --

3 MR. GREENDYKE: Our argument was that we didn't think
4 they were relevant because they didn't relate to the deal, and
5 the Court should adjudicate the appropriateness of the deal, as
6 opposed to something that's not the deal.

7 THE COURT: Well, I think there are two different
8 levels. On one, I absolutely should adjudicate the deal and
9 not what's not the deal. I don't see how anybody could argue
10 that.

11 MR. GREENDYKE: Correct.

12 THE COURT: But if what I'm going to be looking at is
13 whether there is something artificial in the deal, I can't tell
14 if there's something artificial in the deal without knowing,
15 perhaps, what internal alternatives were considered by your
16 client. And that's why I think they may have some relevance
17 there. Although, by and large, I would think most of it is not
18 going to be relevant.

19 And I'm just -- I'm trying to find out whether it's a
20 big imposition for me to look -- take a look at them. And the
21 thousand pages isn't a big imposition on me, and I don't know
22 if it's a big imposition on you all. My experience is, if it's
23 a thousand pages, there's only 200 original emails, and then I
24 get to look at them each five times.

25 MR. GREENDYKE: That's probably a correct calculation.

1 THE COURT: You know, so it's not that much.

2 I'm a bit inclined to do that. I want to hear what
3 arguments you have against that, and I want to hear what
4 Mr. Lopez has against that. Because I think that some of it
5 might lead to relevant questions. I don't know that at all,
6 obviously. And I bet most of it doesn't. But let me hear from
7 Mr. Lopez.

8 MR. LOPEZ: Your Honor, for the record, Chris Lopez on
9 behalf of DirecTV, LLC, and Direct Sports Network, LLC.

10 Your Honor, you've read our papers and obviously heard
11 the argument of counsel, so I won't repeat what's in our
12 papers. I just want to highlight a few points, and address
13 certain points made by Your Honor.

14 First of all, something that is not highlighted in our
15 papers is that, in response to the raw document requests that
16 we were served with, we have produced to date over 10,000 pages
17 of nonresponsive -- excuse me -- of responsive, non-privileged
18 information that directly go to the heart of the issues that
19 will be before the Court.

20 I'd like to stress to Your Honor, as Your Honor knows,
21 that there is one plan that this Court is considering at this
22 time. And assuming the Court approves the Disclosure Statement
23 and the solicitation procedures, there will be one plan and one
24 transaction for this Court to consider. And it is the burden
25 of the Debtor and the plan proponents to satisfy the 1129

1 standards.

2 I think it's important to note that DirecTV is a
3 proposed buyer in this transaction. And so I think -- where I
4 think the motion gets a little off, and where Comcast I think
5 gets a little confused is that they're hoping and expecting to
6 see documents that perhaps a plan proponent might consider
7 relevant; for example, a valuation of the Comcast affiliation
8 agreement or the value of Comcast's secured claim under Section
9 506, that a proposed buyer like DirecTV, who's been -- who's
10 hoping to buy assets free and clear of all liens, claims, and
11 encumbrances, may not consider these things.

12 And so Your Honor, when we were asked in meet-and-
13 confers about whether there were any valuation materials
14 regarding the Comcast secured claim, we explained to them that,
15 to our knowledge, we didn't have any, but to the extent that
16 there were, we would produce them. And to my knowledge, Your
17 Honor, there are none.

18 We were asked if there would be comparable company
19 analysis and traditional valuation about the Comcast -- about
20 the reorganization that's subject to this plan, and we told
21 them we didn't have any, Your Honor. And so we were a bit
22 confused when we saw at least assumptions made in the motion
23 that there may be some types of documents like this.

24 THE COURT: Well, but what --

25 MR. LOPEZ: So --

1 THE COURT: And let me tell you something I'm
2 assuming, and I'm -- my assumption may be wrong, too -- is that
3 your client and AT&T -- if I've got these right. You're
4 Direct, right?

5 MR. LOPEZ: Yes, that's correct, Your Honor.

6 THE COURT: That your client and AT&T aren't doing
7 this without internal forecasts of revenues and expenses. One
8 of the issues that I'm going to have to address at confirmation
9 is: How do I value the Comcast carriage agreement? Should I
10 value it as of the order for relief or as of the petition date;
11 and if so, should I value it based on the fact that they are
12 the only large carrier, and that I've got expensive Astros and
13 Rockets rights agreements, which will tremendously minimize the
14 value of their carriage agreement, and make it, perhaps, zero?

15 Their argument is going to be, if I understand it,
16 that I should look at it on a go-forward basis, and say that
17 the value of their carriage agreement is the value that it's
18 going to have to you all, once you get that carriage agreement;
19 and, therefore, I need to look at your revenue and expense
20 projections.

21 The result of that is to let them make their argument,
22 whether I accept it or reject it. I don't know if you ever
23 shared your forecast even with the plan proponents. You may
24 not have. But wouldn't your forecast be relevant to their
25 argument that that's the way the pricing ought to go?

1 MR. LOPEZ: Your Honor, as it relates to the deal that
2 is before the Court --

3 THE COURT: Right.

4 MR. LOPEZ: -- the deal that is subject to the plan,
5 they will have all that information, Your Honor. Anything
6 related to the deal, internal or external communications with
7 AT&T, the plan proponents --

8 THE COURT: Sure.

9 MR. LOPEZ: -- and the teams, they will have, Your
10 Honor.

11 THE COURT: Yeah.

12 MR. LOPEZ: So they will have communications, they
13 will have our internal thoughts, as it relates to the deal.
14 They have gotten drafts of the termsheet -- the termsheets, and
15 drafts of the termsheet, as it relates to this -- to this
16 particular deal.

17 Your Honor, what we're withholding are simply
18 DirecTV's internal thoughts about how they thought about
19 potential scenarios that are not reflected in the deal. And I
20 appreciate that Your Honor -- I mean, although there's a
21 protective order, I -- you know, I certainly want to --
22 certainly there is some sensitivity to --

23 THE COURT: Sure.

24 MR. LOPEZ: -- providing the --

25 THE COURT: But I'm not --

1 MR. LOPEZ: -- competitor --

2 THE COURT: See, I'm not worried about the parts of
3 the prior forecasts that are, if you will, below the operating
4 income line. That's what the -- and I'm imagining what these
5 spreadsheets look like. See, the part that's below the
6 operating income line is going to deal with changes in the
7 deal. The part that's above the operating income line, if you
8 were forecasting, you know, \$8 million of revenue in a month,
9 and suddenly, it changed to \$4 million of revenue in a month, I
10 think they ought to have the right to know, well, what happened
11 to those forecasts on an operating basis.

12 Now I don't -- you know what my guess is? Those
13 didn't change much, as the deals changed. And so it's going to
14 become, we're sort of fighting over a tempest in a teapot. But
15 it's pretty easy to just redact the bottom part of that
16 spreadsheet and show them the non-deal portions of it.

17 MR. LOPEZ: Your Honor, you know, I do want to stress
18 they've gotten -- the information that they've at least
19 stressed in their papers, and in connection with the meet-and-
20 confers --

21 THE COURT: Right.

22 MR. LOPEZ: -- has to do with this particular plan,
23 Your Honor. And so it's -- you know, I agree that, you know,
24 it -- if we looked at all potential scenarios in which the
25 Debtor could have proposed a plan of reorganization -- but Your

1 Honor, that's not before the Court. There's one particular
2 plan --

3 THE COURT: Right.

4 MR. LOPEZ: -- and one particular transaction. And
5 what they're trying to get at is the good faith of the Debtor,
6 valuation of the Debtor, and the absolute priority rule to see
7 whether, you know, the plan would satisfy the absolute priority
8 rule.

9 And as it relates to the particular deal before the
10 plan, Your Honor, we're telling you we're giving the internal
11 and external communications, and with respect to this deal,
12 Your Honor. And so, you know, at some point, I guess from what
13 I'm hearing, it almost seems like that, you know, there's a
14 mini fishing expedition going on, Your Honor.

15 And you know, Rule 7026, you know, there are limits to
16 it, Your Honor. And I guess anything can go under a good will
17 bucket, a good faith bucket --

18 THE COURT: Yeah.

19 MR. LOPEZ: -- if we allowed it, Your Honor. So you
20 know, I think, once they see what they actually have, Your
21 Honor --

22 THE COURT: Yeah.

23 MR. LOPEZ: -- I think -- you know, you look at the
24 financial projections that are reflected in the Disclosure
25 Statement. There will be discovery, there will be documents

1 that they can look at. They'll have all kinds of
2 communications between AT&T and DirecTV, DirecTV and the teams,
3 DirecTV and the Debtor. They have asked for depositions of
4 certain people, and they can ask them questions on those
5 documents, Your Honor.

6 But asking to see documents about what DirecTV thought
7 about a deal that never, ever made it to a table, and something
8 that will never be before the Court, Your Honor, I think it
9 starts to get into the realm of the fishing expedition. And
10 we're asking, what is the relevance of these documents, Your
11 Honor. And we don't believe that we've heard a sufficient
12 answer. Now we'll do what the Court has asked --

13 THE COURT: I know; I know you will. About how many
14 pages are your documents? Mr. Greendyke thought they had about
15 a thousand pages.

16 MR. LOPEZ: I am unaware of the actual pages of
17 documents.

18 THE COURT: He's about to --

19 MR. LOPEZ: My understanding is that --

20 THE COURT: He's about to change his thousand, too.

21 MR. LOPEZ: I looked at it -- we looked at it in terms
22 of number of documents.

23 THE COURT: About how many documents do you --

24 MR. LOPEZ: My understanding is that there are several
25 hundred.

1 MR. GREENDYKE: I'm going to take the opportunity to
2 mention mine, and to correct a mistake that I made on the
3 record.

4 THE COURT: Okay.

5 MR. GREENDYKE: It's not a thousand pages; it's a
6 thousand documents that have been withheld.

7 THE COURT: Okay.

8 MR. GREENDYKE: And I apologize to the Court and the
9 parties.

10 THE COURT: No, that's okay.

11 MR. LOPEZ: I'm sorry.

12 THE COURT: Okay.

13 MR. LOPEZ: My understanding is that there are between
14 two to 300.

15 THE COURT: Documents?

16 MR. LOPEZ: Documents.

17 THE COURT: Okay. All right. I can't make the
18 decision -- I'm sorry. Mr. Basta, go ahead.

19 MR. BASTA: Your Honor, Paul Basta for the Astros.

20 I only wanted to get up on the relevance objection,
21 and to your example about the 12 versus 10 example that you
22 gave.

23 THE COURT: Right.

24 MR. BASTA: And Ms. Seshens' argument is the relevance
25 that this has to an absolute priority argument. And the only

1 point I wanted to make, Your Honor, is I think it just
2 conflates 365 and 1129, in the sense that the -- there are
3 existing media rights in place.

4 THE COURT: Right.

5 MR. BASTA: And nobody is proposing to fund the
6 assumption of those, right?

7 THE COURT: Correct.

8 MR. BASTA: So no one is proposing to fund the cure
9 costs, and nobody is proposing to live on those terms going
10 forward.

11 THE COURT: Right.

12 MR. BASTA: And so with those agreements essentially
13 being forced to be rejected, there are new agreements that are
14 being entered into.

15 Now if your court -- if the Court looked at those new
16 agreements, which are on file, I believe, and are -- they have,
17 and said to them, well, that's like -- you know, that's a
18 masquerading assumption because what you did was reject them,
19 but then enter into better agreements, then I could see you're
20 saying what you did was you kind of end-run 365 to deprive
21 equity of some recovery.

22 But if you looked at those agreements and you said,
23 nobody is funding the cure costs, the escalators are -- won't
24 work, you know, the terms are worse --

25 THE COURT: Yeah.

1 MR. BASTA: -- then I don't know why you need to go --
2 I don't know why it goes into relevance because that's just
3 sort of an objective analysis.

4 THE COURT: Well, and that's -- I walked out believing
5 that, I will tell you that.

6 MR. BASTA: Yeah.

7 THE COURT: Ms. Seshens' argument is slightly
8 different than your argument, and so I'm sympathetic to your
9 argument, because I sort of started it. But her argument is,
10 that's fine, toss the old agreements.

11 MR. BASTA: Uh-huh.

12 THE COURT: If the new agreements are, nevertheless,
13 above market --

14 MR. BASTA: Uh-huh.

15 THE COURT: -- why would DirecTV and AT&T be willing
16 to pay your client above market, unless they were getting a
17 bargain from the Debtor; and, therefore, there's an indirect
18 violation of the absolute priority rule because they're paying
19 above market?

20 MR. BASTA: They're paying above market for -- if I
21 can ask the Court.

22 THE COURT: Yeah.

23 MR. BASTA: What would they be paying above market
24 for; is it for an asset of the Debtor, Your Honor?

25 THE COURT: No. No.

1 MR. BASTA: Okay. So the Debtor's --

2 THE COURT: But it's -- but if --

3 MR. BASTA: -- option, Your Honor, is to -- is to see
4 if it could preserve its assets.

5 THE COURT: But the Debtor needs to sell the Debtor
6 for as much as the Debtor can get --

7 MR. BASTA: The Debtor needs to sell --

8 THE COURT: -- for the Debtor.

9 MR. BASTA: -- the Debtor for as much as it can.

10 THE COURT: Right.

11 MR. BASTA: And if the Debtor -- and if the Debtor can
12 assume the agreements, then the media rights agreements would
13 belong to the Debtor, and the Debtor can then monetize them.
14 Okay?

15 Whether or not there -- whether or not there is a deal
16 to assume those -- the existing agreements, which is what would
17 preserve the most value for the Debtor, is an objective fact
18 because the teams can -- and I can tell the Court, and it's not
19 rocket science, that \$150 million of admins and the full amount
20 of past-due fees would -- the teams would prefer that they be -
21 - that those be in the teams' pockets. Okay?

22 So like it seems it's a little bit like a conspiracy
23 theory that this was structured to deprive the network of
24 value, in exchange to the value flowing for the -- to the
25 teams. But if there's nothing, either in the course of the

1 case or in the agreements, that shows that the teams are doing
2 better than what they would have under their existing
3 contractual rights, I believe, Your Honor, all it is, is a
4 conspiracy theory.

5 THE COURT: I really do understand the argument, but I
6 think I understand theirs, as well. And in large part, you
7 know, what gets negotiated between two parties is going to be
8 treated as market.

9 MR. BASTA: Uh-huh.

10 THE COURT: But there could be some smoking gun in
11 there. And you know, what else am I supposed to do at night?
12 So ...

13 (Laughter.)

14 THE COURT: Let me see. I've got somebody on the
15 phone that wanted to talk. Yes, from 546? Who do we have?
16 713-546?

17 MS. FUNK: Yes. Your Honor, this is Brenda Funk with
18 Weil Gotshal. I was simply on the phone in case Mr. Lopez
19 needed to ask any questions about these documents, but I have
20 nothing further to add, Your Honor. Thank you.

21 THE COURT: Okay. Thank you. Sorry I didn't call on
22 you earlier.

23 Mr. Lopez, do you want to talk to her?

24 MR. LOPEZ: No, Your Honor. It's simply the point
25 that -- I just want to point out, they've gotten the financial

1 projections, and they can ask questions about the financial
2 projections as it -- so the questions about whether there are --
3 -- whether they're overpaying for media rights or dealing with
4 valuation in connection with the media rights agreement, all
5 that will be in the projections. They've gotten that, and
6 they've gotten discussions between DirecTV and any third party
7 in connection with these issues.

8 So I'm not sure how any internal thoughts that DirecTV
9 could have amongst itself, that it never shared with anyone
10 else, has any bearing on whether -- has anything to do with
11 valuation, the current valuation of the -- of the existing
12 media rights agreement. I think Your Honor will have enough
13 information in connection with the projections to make that --
14 to make that adequate assessment, Your Honor.

15 I just don't understand how internal thoughts that
16 were never shared with anyone else, about a deal that's never
17 on the table, is going to reveal that kind of information in
18 connection with this deal and the valuation of the existing
19 media rights agreement.

20 THE COURT: Well, I don't think it will go towards --
21 if it wasn't shared, it's not going to go towards the
22 proponents' good faith. It may go towards the purchaser's good
23 faith finding that you're going to want, and it may go towards
24 valuation. I'm not sure. I will say that I -- I think you're
25 hearing -- I hope you're hearing me.

1 MR. LOPEZ: I am, Your Honor.

2 THE COURT: Because there may be some relevance here,
3 but I have a relatively high level of what it's going to
4 require to be relevance.

5 MR. BASTA: Okay, Your Honor.

6 THE COURT: I'm not just turning everything over.

7 And so let me go ahead and -- Ms. Seshens, unless you
8 object, I'm going to have them deliver hard copies of the
9 documents to chambers, and I'm going to go through them, and
10 I'll reach a determination as to what you get.

11 MS. SESSIONS: Your Honor, Dana Seshens for the
12 Comcast entities.

13 We do not have an objection. I will just note,
14 perhaps for Your Honor's own self-preservation, that, in this
15 day and age, a thousand documents, 1,400 documents is something
16 that is not a burdensome amount for them to produce. I
17 appreciate Your Honor wants to review them.

18 But in the scheme of what has been produced -- and I
19 will note that AT&T and DirecTV have a deadline of production
20 of last Saturday, and they're continuing to produce. So we are
21 now in a place where --

22 THE COURT: Okay.

23 MS. SESSIONS: -- depositions are scheduled to start
24 next week. They are continuing to produce past their deadline.
25 And so, in the interest of efficiency, if there are ways we can

1 facilitate this, we can do it.

2 THE COURT: No.

3 MS. SESSIONS: But it's --

4 THE COURT: And the only thing I would request is that
5 they -- I get hard copies, rather than a disk. I just think
6 it's going to be so much easier for me to make notes on the
7 hard copies, and then issue an order that says -- I assume
8 everything will be Bates-stamped; probably already is Bates-
9 stamped, and I can just deal with the Bates-stamp numbers.

10 In the interest of time, I would ask -- because I know
11 you want these quickly -- that on documents -- and I'll ask
12 both parties how extensive you're going to ask for reasons why
13 I am ordering something not turned over or turned over, and see
14 what you want. If you want reasons, it's probably going to
15 delay things. If you just want to me to say, the following are
16 turned over, without reasons, I can do it faster and --

17 MS. SESSIONS: I -- Your Honor, on behalf of the
18 Comcast entities, we will accept your determinations, and we do
19 not need explanation for those determinations.

20 THE COURT: Mr. Greendyke, what do you all want on
21 that?

22 MR. GREENDYKE: Thank you, Judge. I'm going to let my
23 litigation partner chime in, if she disagrees with me. But I
24 think our objection is relevance. If the Court thinks they're
25 relevant, we'll abide by the Court's ruling.

1 THE COURT: And I don't need to explain to you why I
2 think this particular document --

3 MR. GREENDYKE: Well, I think we've talked about all
4 the reasons --

5 THE COURT: Well, I mean, I've dealt with --

6 MR. GREENDYKE: -- the relevance --

7 THE COURT: -- some hypotheticals. I don't know what
8 I'm going to see.

9 MR. GREENDYKE: The only thing that was new was the
10 Court's, you know, I guess, suggestion that we would want a
11 good faith finding as a buyer --

12 THE COURT: Right.

13 MR. GREENDYKE: -- afterwards, which wasn't in the
14 argument, wasn't in the objections, so --

15 THE COURT: Yeah. But I assume --

16 MR. GREENDYKE: -- I mean, obviously --

17 THE COURT: -- you're going to want that.

18 MR. GREENDYKE: -- that's part of -- that's part of
19 the -- sure, we do.

20 THE COURT: Yeah, so ...

21 MR. GREENDYKE: Sure, we do.

22 THE COURT: Okay. Well, then Mr. Castillo, are you --
23 I'm sorry, Mr. Lopez, are you on the same --

24 MR. LOPEZ: Yeah. Just simply to say we will abide
25 it.

1 THE COURT: That's fine. Then I'm not going to -- I
2 think it actually puts me too much in the litigation to say,
3 well, here's why I think this one is relevant, and kind of
4 gives people arguments. So I would -- I would rather just do
5 that. I'm simply going to give you all Bates numbers.

6 And then, on ones that need to be redacted, taking the
7 spreadsheet example, you know, I may say, produce the
8 spreadsheet, but only through the net operating income line,
9 and then allow you to redact the balance of it. I think it's
10 extremely unlikely that I will give you their conclusion as to
11 the bottom-line results of different structures, as opposed to
12 their forecasts of operating revenues.

13 MS. SESSIONS: Your Honor, that is fine. The one
14 thing I would just note is it's almost impossible to redact
15 spreadsheets because they're done in native form. And so it's
16 very rare, as Your Honor probably knows, to redact for
17 relevance anyhow. So it may be that those just become highly
18 confidential. Otherwise, they become like five-hundred-page
19 documents that are incomprehensible. So I just wanted Your
20 Honor to bear that in mind, if you were thinking redactions on
21 relevance.

22 THE COURT: I'm thinking I'm going to give them the
23 right to redact, and they may give you hard copies instead of
24 native format copies.

25 MS. SESSIONS: Okay.

1 THE COURT: And then, if you want to take discovery
2 about having some guy sitting there looking at it in the native
3 format, I ...

4 (Laughter.)

5 THE COURT: You know, getting from a top line on down
6 to a net operating income line, you know, I bet we can do the
7 addition and subtraction in our heads, and figure out whether
8 it used A3 plus A4 to get to A5, so ...

9 MS. SESSIONS: That's fine, Your Honor.

10 THE COURT: But you know, I'll leave that up to them.
11 I'm going to let them, if I order it redacted, decide that.

12 So Monday, by noon, can I get those delivered?

13 MR. LOPEZ: Yes, Your Honor.

14 MR. GREENDYKE: Yes, Your Honor.

15 THE COURT: Does that work? Okay. Monday, by noon,
16 I'll require the notebooks in Bates-numbered order, to be
17 submitted with the documents, in hard copies. Thank you.

18 And then let's go to exclusivity.

19 MR. BECKHAM: Thank you, Your Honor. Charles Beckham
20 on behalf of Debtor.

21 The -- I believe this is, hopefully, just a
22 housekeeping matter, Your Honor. I don't believe that there
23 are any objections. This comes to light in conjunction with
24 the motion -- the first motion for extension of exclusivity,
25 which we filed, and the Court entered the extended exclusivity

1 through early July. Then we filed a subsequent motion and had
2 a hearing on July 2nd, I believe, and which the Court extended
3 exclusivity until September -- until August the 7th, but did
4 not rule specifically with respect to the extension of the
5 sixty-day period.

6 The -- and we've only filed this motion out of an
7 abundance of caution because there is differing case law
8 relative to whether or not the extension of the exclusive time
9 to file a plan automatically extends to 60 days.

10 You had previously entered an order extending the
11 solicitation period through September 3rd, which is today. If
12 we went with a line of case law called -- under -- called
13 Ravina (phonetic), that is a -- any extension of the time to
14 file a plan automatically extends the 60 days, or some other
15 authority that says the Court needs to also extend the
16 additional 60 days for solicitation, we are simply asking for
17 an extension of the sixty-day period for solicitation of votes
18 through October the 6th.

19 THE COURT: Do you have any problem?

20 MR. GOLDBLATT: No, we don't, Your Honor.

21 THE COURT: Thank you.

22 Does anybody else have a problem?

23 (No verbal response.)

24 MR. BECKHAM: Thank you, Your Honor.

25 THE COURT: Thank you.

1 MR. BECKHAM: There should be a form of order.

2 THE COURT: There is. Okay. I've signed that order.

3 MR. BECKHAM: Thank you, Your Honor.

4 I believe that is all that I am aware the Debtor has.

5 THE COURT: Okay.

6 MR. BECKHAM: But we will plan on returning at --

7 THE COURT: I'll see you all at 3:30, and I'm hoping
8 to have the final draft of the Disclosure Statement, a revised
9 plan that incorporates the provisions that were in the handout,
10 and a revised solicitation order that deletes the controversial
11 provisions because they are now incorporated into the
12 procedures set forth in the Disclosure Statement. And that's
13 at least what I'm anticipating. Is that what everybody else is
14 thinking we're going to get?

15 (No verbal response.)

16 THE COURT: Okay. And then go ahead and fill into
17 your order all the confirmation dates and the voting deadlines
18 and everything like that.

19 MR. BECKHAM: We will do so, Your Honor.

20 THE COURT: Okay. Thank you.

21 MR. BECKHAM: Thank you.

22 (Recess taken from 11:35 a.m. 3:30 p.m.)

23 THE COURT: Please be seated. Okay. We're going to
24 go back on the Record on the Houston Regional Sports Network
25 case.

1 Mr. Beckham?

2 MR. BECKHAM: Good afternoon, Your Honor, Charles
3 Beckham on behalf of the Debtor. We are -- since we left you,
4 we've been working on language and -- my team has just arrived,
5 and I think the order, we sent a draft of the order over to the
6 Comcast side earlier this afternoon.

7 We've been waiting on a red line and revisions to the
8 Disclosure Statement, and I believe we've accepted all of the
9 Comcast comments to the Disclosure Statement. There's not
10 going to be any controversy with respect to that.

11 The thing that we have been waiting for is review and
12 approval of language in the Court's insert. And while the
13 Debtor and the teams are satisfied with that, as we talked
14 about earlier, AT&T and DirecTV were attempting to -- were
15 reviewing it, we were waiting to hear from them. In fact, when
16 I left the office, they were on a conference call. So I may
17 need to consult with the team's counsel.

18 THE COURT: Well, I'm not sure that I need that answer
19 because if -- I just want you to put -- you can put one of
20 three statements in. They've decided this way, they've decided
21 that way, or they haven't decided. I don't care.

22 MR. BECKHAM: Okay.

23 THE COURT: You've got put one in by the time you
24 circulate it.

25 MR. BECKHAM: All right. We can certainly do that.

1 Yeah, we have proposed language.

2 THE COURT: Okay.

3 MR. BECKHAM: But Comcast has not had an opportunity
4 to review it yet with respect to that one point.

5 THE COURT: Right. Well, let's show it to them.

6 MR. CASTILLO: Okay. It is in transit, Your Honor.

7 THE COURT: Well, you mean we don't have the language.

8 MR. CASTILLO: It exists, and it is on its way here.

9 THE COURT: By an electronic method or by a person?

10 MR. CASTILLO: Both. It's hard copies and electronic
11 copy. My colleagues are -- had it with them and will be here
12 shortly.

13 THE COURT: Okay. Is there anything I can do in the
14 meantime to be of any help, Mr. Greendyke?

15 MR. GREENDYKE: Thank you, Judge. Bill Greendyke on
16 behalf of AT&T Teleholdings. With relationship to the motion
17 to compel that we discussed earlier today, I wanted to apprise
18 the Court of a couple of things, I don't think it's going to
19 disadvantage Comcast at all. Some of the documents are
20 spreadsheets.

21 THE COURT: Okay.

22 MR. GREENDYKE: And I know the Court directed us to
23 deliver paper copies, which we will do with everything, but we
24 thought it would be more convenient to you if we gave you disks
25 or digital copies of the spreadsheets, because to print

1 everything you get a bunch of blank pages, and it'd --

2 THE COURT: Okay.

3 MR. GREENDYKE: -- be difficult to follow, so we
4 wanted to not surprise you with that.

5 THE COURT: That's fine. I just didn't want it to go
6 through CD after CD where I couldn't really identify it.

7 MR. GREENDYKE: Correct. There will be a disk on
8 that.

9 And the second thing was, there are some documents to
10 give you an example that might be a compilation of every
11 transaction that AT&T would work on for a given week.

12 THE COURT: Right.

13 MR. GREENDYKE: Now, there might be 49 on the list and
14 one of them is this deal. The rest of them, we would redact
15 and --

16 THE COURT: I have no problem --

17 MR. GREENDYKE: -- delete things like that.

18 THE COURT: -- with that and I assume Comcast has no
19 problem.

20 MR. GREENDYKE: Show you things that are relevant.
21 And we just didn't want you to see the document that we would -
22 - had withheld, and have you release it, and have all that
23 other stuff on it or something.

24 THE COURT: No. In fact, I would prefer that if it's
25 totally unrelated to what we're doing here that it be redacted,

1 so I don't have to find it, yeah.

2 MR. GREENDYKE: That's correct, that'd be the only
3 thing.

4 THE COURT: That's great.

5 MR. GREENDYKE: Thank you, Judge.

6 THE COURT: Thank you.

7 MR. BECKHAM: Your Honor, one thing while we are
8 waiting for the language to appear, you did want a statement
9 from a representative of the Debtor, and we could call our
10 witness in support of the Disclosure Statement, if you'd like
11 to pursue that.

12 THE COURT: Thank you.

13 MR. BECKHAM: All right. We'd call Tad Brown.

14 THE COURT: Mr. Brown.

15 Mr. Brown, would you raise your right hand, please?

16 (Witness sworn)

17 THE COURT: Thank you, sir.

18 DIRECT EXAMINATION OF TAD BROWN

19 BY MR. BECKHAM:

20 Q Mr. Brown, state your name?

21 A Tad Brown.

22 Q And what is your relationship to Houston Regional Sports
23 Network?

24 A I'm on the board.

25 Q The board of the general partner?

1 A Yes.

2 Q And the general partner is the manager of the limited
3 partnership?

4 A Yes.

5 Q And are you the designated authorized representative of the
6 board with respect to signing the plan and Disclosure
7 Statement?

8 A Yes.

9 Q And are you familiar with the Disclosure Statement?

10 A Yes.

11 Q And to the best of your knowledge, is the information
12 contained in the Disclosure Statement true and correct?

13 A To the best of my knowledge.

14 MR. BECKHAM: Nothing further, Your Honor.

15 THE COURT: Thank you. Mr. Goldblatt.

16 MR. GOLDBLATT: Sure.

17 CROSS-EXAMINATION OF TAD BROWN

18 BY MR. GOLDBLATT:

19 Q Mr. Brown, can you just describe the extent of your
20 involvement in putting together the Disclosure Statement?

21 A The extent of my involvement, I reviewed it as all of the
22 board members have.

23 Q Were you involved in negotiating the underlying
24 transactions that are reflected in -- that are described in the
25 Disclosure Statement?

1 A The underlying transactions relative, the structure of a
2 potential deal?

3 Q Yes.

4 A I was involved in some of that, yes.

5 Q And did you -- was that involvement in your capacity as a
6 board member or in your capacity as President of the Rockets?

7 A My involvement as a fiduciary of the network was to try to
8 probably parse both at that time, as I was trying to get as
9 much value for the network as possible.

10 Q I'm sorry, I just didn't -- you said you're -- I'm sorry, I
11 just didn't follow what you said.

12 MR. BECKHAM: Your Honor, excuse me. I want to
13 object. The purpose of the testimony was to represent to the
14 Court that a representative of the Debtor had -- was familiar
15 with the Disclosure Statement, and that the statements
16 contained therein, and the disclosure information was true and
17 correct. And we've made that representation going into
18 negotiations of the plan is something far afield from --

19 MR. GOLDBLATT: And I'm not looking to go into
20 negotiations with him. Just for the basis for the knowledge.

21 THE COURT: I'm going to sustain it only as to the way
22 it was worded.

23 MR. GOLDBLATT: Okay. And I may have worded it
24 improperly.

25 THE COURT: But I'll let you reword the question and

1 I'm going to let you go into his knowledge. I think the way it
2 was worded --

3 MR. GOLDBLATT: That may have been my fault.

4 THE COURT: He knows what he knows, no matter what
5 capacity he knows it in, and so his personal knowledge extends
6 to -- and frankly, I don't want his knowledge limited to which
7 hat he was wearing.

8 MR. GOLDBLATT: Fair enough.

9 THE COURT: If he knows something in his Rockets hat
10 that makes this an untrue statement, I want to know about that.
11 So it's more important to me that we get everything he knows,
12 not --

13 MR. GOLDBLATT: Okay.

14 THE COURT: Thank you.

15 BY MR. GOLDBLATT:

16 Q Let me just ask this question. Mr. Brown, when was the
17 first time you saw a draft of the Disclosure Statement?

18 A I believe it was Monday night.

19 Q Of this week?

20 A Of a portion of the Disclosure Statement, Monday night
21 possibly, or a portion of this Disclosure Statement.

22 Q The amended Disclosure Statement.

23 A The amended Disclosure Statement.

24 Q Okay. There's a Disclosure Statement that was filed on
25 August 7th, if I'm not mistaken. Is that consistent with your

1 understanding?

2 A Yes, it is.

3 Q And so --

4 THE COURT: If you don't know, you have to say you
5 don't know.

6 THE WITNESS: Well, there are a lot of dates, Judge, I
7 apologize.

8 THE COURT: Right. Yeah, Mr. Beckham's going to just
9 give you a blank stare when you look at them for that, so if
10 you don't know, you're welcome to say you don't know.

11 THE WITNESS: Frankly there are a lot of documents
12 that are prepared independent of my understanding from counsel.

13 THE COURT: Here --

14 BY MR. GOLDBLATT:

15 Q And is the Disclosure Statement one of them?

16 A No, this Disclosure Statement I reviewed, and to the best
17 of my knowledge it's accurate.

18 Q Okay. And my question is, when did you review it, the one
19 that was filed on August 7th --

20 THE COURT: August 6th.

21 BY MR. GOLDBLATT:

22 Q August 6th, I appreciate the correction, the one that was
23 filed on August 6th that we came to court on to discuss on
24 August 7th, when did you first see that Disclosure Statement?

25 A I don't recall.

1 MR. GOLDBLATT: Okay. I think I've got the best
2 information I'm going to get, Your Honor.

3 THE COURT: Fair enough, thank you.

4 MR. GOLDBLATT: If you could hold on one second, I
5 don't know if Mr. Beckham -- but I do Mr. Shapiro.

6 (Pause in the proceedings.)

7 MR. GOLDBLATT: Okay. Nothing further, Your Honor.

8 THE COURT: Thank you. Thank you, sir.

9 (Witness steps down.)

10 All right. I find the Disclosure Statement meets all
11 of the requirements of Section 1125, I've imposed certain
12 additional requirements for the purpose of clarity of what's to
13 go on at the confirmation hearing, and I understand we're
14 getting a draft over that incorporates in principle what we've
15 imposed, but I will approve the Disclosure Statement under
16 1125.

17 MR. BECKHAM: Your Honor, I believe probably it's
18 appropriate for -- to -- and thank you for approval of the
19 Disclosure Statement. I believe it's finally appropriate to
20 allow Comcast parties to see the amended language. I don't
21 know that we need anything further unless they're going to have
22 some objection to the language.

23 UNIDENTIFIED: It's hard to answer that question
24 before you see the language.

25 MR. BECKHAM: Let me --

1 UNIDENTIFIED: Yeah, you've done a lot of that.

2 MR. BECKHAM: Yeah. So I think it might be
3 appropriate to give them the opportunity to review the language
4 and again, a ten minute recess might be appropriate.

5 THE COURT: Well, that's fine. Is the language that
6 he hasn't seen only the one sentence, or is the language he
7 hasn't seen the redraft of what we handed out?

8 MR. BECKHAM: It is a partial -- it's some revisions
9 to what you -- the Court's insert.

10 THE COURT: Well then, let's give him a little longer
11 than ten minutes. Would you just let Mr. Rios know when you've
12 had a chance to review it and you're ready either to sign off
13 or make your objections?

14 MR. BECKHAM: Certainly.

15 THE COURT: And I'll come back out. I'm just sitting
16 back there looking at my in box so I'm not going anywhere.

17 MR. BECKHAM: Thank you, Your Honor.

18 THE COURT: And we'll just take a recess till that's
19 ready. Thank you.

20 THE CLERK: All rise.

21 (Recess was taken at 3:40 p.m. to 4:08 p.m)

22 MR. BECKHAM: Good afternoon, Your Honor, Charles
23 Beckham on behalf of the Debtors. We have, I believe,
24 delivered a red line back to the Court.

25 THE COURT: I've got a red line.

1 MR. BECKHAM: And I'm not certain if you've had an
2 opportunity to review everything. I think we've satisfied all
3 but one objection of Comcast who the language in the insert and
4 we've discussed it, I don't believe we're going to be able to
5 resolve this, so we're going to need the Court to resolve that.

6 THE COURT: What page are you on?

7 MR. BECKHAM: And you would turn to page 38. And I'll
8 allow Mr. Goldblatt to describe his objection.

9 MR. GOLDBLATT: Sure. So, Your Honor, it's just --
10 what we're mostly looking for, we're not looking to litigate an
11 issue, we're looking simply for a reservation and for some
12 clarity. But if you look at this provision --

13 UNIDENTIFIED: Which paragraph?

14 MR. GOLDBLATT: It's the paragraph above the bolded
15 paragraph in the middle of page 38, that begins "Under this
16 alternative." And it says:

17 "The Court recognizes that AT&T and DirecTV may have
18 determined that a hundred percent payment to the holders of
19 allowed Class 4 trade claims is a business necessity by the
20 reorganized Debtor."

21 I guess as a statement of what AT&T and Direct have
22 determined, that doesn't -- the Court's recognition I'm not
23 sure is a fair statement, so I guess I would propose striking
24 the words, the "Court has recognized that" or "the Court
25 recognizes that."

1 THE COURT: Okay.

2 MR. GOLDBLATT: Then it says, "If the Court finds that
3 separate classification is not appropriate, AT&T and DirecTV
4 shall instruct the Astros and the Rockets to pay the holders of
5 allowed Class 4 trade claims on the same terms contemplated by
6 the plan, which the teams are required to pay in full pursuant
7 to the investment agreement."

8 THE COURT: All right.

9 MR. GOLDBLATT: Okay. Your Honor, we think it's sort
10 of bankruptcy 101 that receiving consideration in exchange --
11 consideration outside of a plan in exchange for creditors
12 voting in favor of a plan is -- it's sort of bankruptcy 101,
13 that that's the one thing you can't do. So what we'd like is a
14 statement that basically says, you know, Comcast contends that
15 this provision provides a basis for designating the vote with
16 any such creditor, period.

17 THE COURT: Do we have this electronically?

18 MR. BECKHAM: Yes, Your Honor.

19 THE COURT: Let me see what we can -- if I can -- if
20 you can just plug it in there to your --

21 MR. GOLDBLATT: The front or --

22 THE COURT: Front, back, won't matter.

23 MR. BECKHAM: It's plugged in, Your Honor.

24 THE COURT: And which document is it? This one?

25 MR. BECKHAM: It'd be the Claim DS, Your Honor.

1 (Pause in the proceedings.)

2 MR. GOLDBLATT: So, in fairness, Your Honor, in
3 concept, I think we're almost there. I think our view and I
4 think to state fairly would say, Comcast has alleged that such
5 payment is unlawful and would allow. That's certainly our
6 view.

7 THE COURT: Let me ask whether the teams or the Debtor
8 have any objection to that rewording.

9 MR. BECKHAM: You know, I think the parties need an
10 opportunity to just look at it and confer for a moment.

11 (Pause in the proceedings.)

12 THE COURT: And let me just clarify one thing which is
13 I'm trying to reflect what I think the facts are, not to change
14 those facts. And if that's not a present intent, but rather
15 that they may do that, that's fine, I just -- I don't want to
16 change the facts.

17 MR. BECKHAM: Yeah.

18 THE COURT: All I'm saying is, Mr. Kampfner, was if I
19 put in here, because I think that's what I'm hearing you all
20 say, is that AT&T and DirecTV have informed the proponents that
21 they intend to instruct. If it's simply that you may instruct,
22 that's fine. I'm not trying to change whatever your -- the
23 facts are. I just want the facts reflected in the language of
24 the Disclosure Statement.

25 UNIDENTIFIED: To say may instead of having informed

1 the proponents.

2 MR. BECKHAM: It's may instead of intend.

3 UNIDENTIFIED: That they may.

4 THE COURT: I mean, if those are the facts, that's
5 fine. If those aren't the facts -- all I want is the facts
6 down here, so.

7 (Pause in the proceedings.)

8 MR. BECKHAM: Your Honor, here may be a -- yeah. Two
9 suggestions. In the highlighted area that says -- "and that
10 they allege" in the -- okay, now I've lost it.

11 THE COURT: I can reverse that, I just thought it
12 might be easier to read the back-line.

13 MR. BECKHAM: Yeah.

14 THE COURT: Do you want me to reverse it?

15 MR. BECKHAM: Yeah, if you would, Your Honor. Okay.
16 It just makes it easier to identify, one, two, three, four --
17 sixth line down after the words "the plan" you have "and that
18 they allege." We would suggest "and in that event the teams
19 are required" to pay these amounts.

20 And then second thing, Your Honor, before the last
21 sentence, I would add language that says:

22 "The proponents disagree with the Comcast allegation."

23 THE COURT: So with that language, do we then have
24 agreement on that paragraph?

25 MR. BECKHAM: That'll be --

1 UNIDENTIFIED: In the event that we get rid of
2 the --

3 MR. BECKHAM: Yeah, second that, yeah, in that event,
4 yeah.

5 MR. YOUNG: Yeah, proponents should be capitalized.

6 MR. BECKHAM: And proponent, the word proponent should
7 be capitalized.

8 MR. YOUNG: That was just proponents, not --

9 MR. BECKHAM: And in the fourth line, "have informed
10 the proponents."

11 With that language, it's satisfactory to the
12 proponents.

13 THE COURT: Mr. Goldblatt?

14 MR. GOLDBLATT: No issue with those changes, Your
15 Honor.

16 THE COURT: Thank you.

17 I've also made my formula pretty again. Is there any
18 other objection to any part of the Disclosure Statement at this
19 point?

20 Mr. Goldblatt, you got a full chance to read it and
21 you're now okay, subject to the fact that I've overruled you
22 earlier today on some things.

23 MR. GOLDBLATT: Yeah, exactly.

24 THE COURT: All those are preserved, but with respect
25 to the changes, you're okay?

1 MR. GOLDBLATT: With respect to the changes, we're
2 otherwise okay, Your Honor, yes.

3 THE COURT: All right. So let me save this back to
4 your disk.

5 MR. BECKHAM: Yes, Your Honor.

6 THE COURT: It should be saved back now on top of what
7 it was. And do we have then an order?

8 MR. BECKHAM: We do have an order that is satisfactory
9 to all parties.

10 MR. CASTILLO: Your Honor, this is a red line of the
11 changes we made to the order, and the clean of the order is
12 also on the flash drive as well. Would you like the red line,
13 Your Honor?

14 THE COURT: I don't think so.

15 MR. BECKHAM: Your Honor, we'd like to point out that
16 there are some minor modifications to the plan which we'll be
17 making this evening, and I can run through those with you if
18 you'd like.

19 THE COURT: Let me find this order first.

20 MR. BECKHAM: All right. Thank you, Your Honor.

21 THE COURT: So is the order that we're talking about
22 right here?

23 Is this the order, Mr. Castillo?

24 MR. CASTILLO: Yes, Your Honor, it is the order.

25 (Pause in the proceedings.)

1 THE COURT: So what belongs in this blank right here?

2 MR. BECKHAM: I'm sorry, Your Honor?

3 THE COURT: There's a blank there, what date belongs
4 there?

5 MR. CASTILLO: The 28th, Your Honor.

6 (Pause in the proceedings.)

7 MR. BECKHAM: Yeah, Your Honor -- go ahead.

8 MR. KAMPFNER: I just want to make one clarification
9 on that Disclosure Statement language that we just talked
10 about. I don't know if there's a way to put it back up on the
11 screen.

12 THE COURT: Should be. Hold on.

13 Okay. Right here?

14 MR. KAMPFNER: Yeah, so the provision reads that AT&T,
15 Direct may instruct the teams to pay the holders of allowed for
16 claims on such terms contemplated by plan, and in that event,
17 are required to pay those amounts. The clarification is just
18 to make clear that the "in that event" refers to in the event
19 that we are instructed to pay, then we, in that event, then we
20 will pay them pursuant to the investment agreement.

21 THE COURT: Is that what you're saying?

22 MR. KAMPFNER: Yes.

23 MR. BECKHAM: No issue, Your Honor.

24 THE COURT: Thank you.

25 MR. LOPEZ: Your Honor, can I -- Chris Lopez for

1 DirecTV.

2 The purpose is just to say that we're not instructing
3 them that in that event, that's what they would be required to
4 do. That's just an acknowledgment that all parties agree that
5 that's what would have to happen in that event, the plan
6 proponent and the Debtor.

7 THE COURT: So tell me what language you want?

8 MR. LOPEZ: No, no, I think it's just more a
9 clarification on the record, just so there's no confusion as to
10 the interpretation that DirecTV is not informing them that in
11 that event that that's -- that they would be required to pay,
12 but more in that event that they would be required to pay and
13 that they're not disputing that that's a fight for another day,
14 that everybody just kind of acknowledges, the plan proponents
15 and the Debtor acknowledge that under the investment agreement
16 they would be required to pay.

17 THE COURT: Yeah, what I'm not doing though is saying,
18 that that could be -- that that is necessarily an enforceable
19 provision, given the Comcast allegation that it is unlawful,
20 and therefore expressing no view as to whether take this really
21 as no view. I'm expressing no view as to whether your
22 announcement is something I would enforce.

23 MR. LOPEZ: I understand, Your Honor, but I'm -- more
24 of what -- I'm trying to just acknowledge is just from the
25 perspective of the teams, that they would not dispute that they

1 would be required to pay under the investment agreement,
2 whether Your Honor enforces the agreement or not, but just
3 simply to -- that we are all on the same page at this juncture,
4 that they would be required to pay under the investment
5 agreement.

6 THE COURT: Thank you for that announcement then.

7 MR. LOPEZ: Thank you, Your Honor.

8 THE COURT: Thank you.

9 MR. GREENDYKE: Judge, I have one comment, Bill
10 Greendyke on behalf of AT&T.

11 The insert by Comcast where Comcast has alleged that
12 such payment is unlawful, my question is the word choice
13 unlawful. It might be contrary to the Bankruptcy Code or
14 something similar to that, but to a layman reading that as a
15 voter and a potential claimant, that might make them fearful of
16 something above and beyond an incapacity to receive such --

17 THE COURT: If I change that to say would violate the
18 Bankruptcy Code.

19 MR. GOLDBLATT: It's more than that, Your Honor. I
20 mean, look, my view is that if you look at Title 18, that this
21 is by the terms of Title 18 arguably criminal. So unlawful as
22 I think a fair description of our position, and it's just a
23 statement of our position. And unlawful is what our position
24 is.

25 UNIDENTIFIED: I guess I missed the whole argument, of

1 how Title 18 got involved in this.

2 MR. GOLDBLATT: I'm happy to walk you through that if
3 you'd like, I can put this on the record if that would be
4 helpful or not.

5 THE COURT: But I don't think it would be helpful.

6 MR. GOLDBLATT: Okay.

7 THE COURT: If you want to pursue your challenge to
8 that language, I'll let you do that, but if what we're doing is
9 putting in the statement of their position.

10 MR. GOLDBLATT: I understand.

11 THE COURT: And that's it.

12 MR. GREENDYKE: I've told you what I thought. I
13 respectfully just think that that's a strong word. I mean, if
14 that's their point is that they want to threaten everybody in
15 sight, so be it. I know Disclosure Statements are here's what
16 the Debtor thinks, and here's what the objecting party think,
17 we'll put them both in there.

18 THE COURT: Well, I don't think they have to be that
19 way. I mean, if you all want to fight whether that's
20 appropriate or not. But I thought that your original point
21 was, that maybe we weren't really characterizing what they were
22 saying right.

23 MR. GREENDYKE: Well, evidently he is, so I get it.

24 THE COURT: But if you want to fight a battle that
25 says that we shouldn't have that language, I'll certainly let

1 you --

2 MR. GREENDYKE: I made my comment on the record,
3 that's what I thought, now I know it's more than what I had
4 anticipated.

5 THE COURT: Thank you.

6 MR. GREENDYKE: Thank you.

7 (Pause in the proceedings.)

8 THE COURT: Are there any objections to the order at
9 this point?

10 (No audible response.)

11 THE COURT: All right. I've signed that order. Is
12 there anything else we need to do?

13 MR. FLORES: Your Honor, one housekeeping matter on
14 the order. I believe Exhibit A and Exhibit B represent the
15 order on the flash drive. There's a form of notice and then
16 the ballot.

17 THE COURT: Let me open those up. And then I need you
18 all to upload the Disclosure Statement, right. Form of ballot
19 you said and what else is there?

20 MR. FLORES: Yes, Your Honor, the confirmation notice
21 and the form of ballot, the last two documents on it. Thank
22 you.

23 (Pause in the proceedings.)

24 THE COURT: Which is A and which is B?

25 MR. FLORES: Your Honor, if it's helpful, we have a

1 version that's already marked.

2 THE COURT: What is that?

3 MR. FLORES: We have a version that's already marked,
4 Exhibit A and Exhibit B --

5 THE COURT: Oh.

6 MR. FLORES: -- from the filing, if you prefer.

7 THE COURT: Sure.

8 MR. FLORES: May I approach?

9 THE COURT: Yeah, why don't you just give them to
10 Mr. Isgray (phonetic). Thank you. Those aren't front and back
11 printed, are they?

12 MR. FLORES: That's a good question, Your Honor, I
13 don't think so. They do not appear to me.

14 THE COURT: Yes, they are.

15 MR. FLORES: Oh, they are?

16 THE COURT: So which one's A and which one's B?

17 MR. FLORES: The notice is A, the ballot is B.
18 Apologies, Your Honor.

19 THE COURT: Okay. So we'll throw those away that he
20 just handed you. Thank you.

21 What else do we have?

22 MR. BECKHAM: I believe that's it, Your Honor, we do
23 have -- we are filing an amended plan this evening, which has a
24 couple of minor non-material changes to it, and I can go
25 through those changes with you if you like, or we'll just --

1 THE COURT: Well, I don't need to hear them, but you
2 may want to announce them --

3 MR. BECKHAM: All right. I'll go ahead and --

4 THE COURT: -- if -- for other purposes.

5 MR. BECKHAM: With respect to the plan, there's a
6 modification to Section 7.7, which creates an escrow account.
7 With respect to Section 12.1, the voting deadline for rejected
8 executory contracts and leases was ten days from nine days.

9 THE COURT: It's what now?

10 MR. BECKHAM: Prior to the voting deadline.

11 THE COURT: Nine days, okay. Okay.

12 MR. BECKHAM: And then finally, Your Honor, with
13 respect to the voting deadline, it's modified on -- in the
14 definitions in Section 123 to reflect the other changes.

15 THE COURT: 1.3?

16 MR. BECKHAM: Yeah. 123 on B(11) of the --

17 UNIDENTIFIED: In the glossary.

18 MR. BECKHAM: In the glossary.

19 THE COURT: All right.

20 MR. BECKHAM: And those are the minor changes.

21 THE COURT: Anything else that we need to do today?

22 (No audible response.)

23 THE COURT: All right. I appreciate the hard day of
24 work, and we'll see you all in October.

25 Thank you.

1 MR. BECKHAM: Thank you, Your Honor.

2 (Proceedings adjourned at 4:39 p.m.)

3 * * * * *

4 I certify that the foregoing is a correct transcript
5 to the best of my ability from the electronic sound recording
6 of the proceedings in the above-entitled matter.

7 /S./ MARY D. HENRY

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